2/8/79 [2]

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1:30 PM

THE WHITE HOUSE

WASHINGTON

February 7, 1979

INTERVIEWS FOR MEXICAN TELEVISION

Thursday, February 8, 1979
1:30 p.m. (15 minutes)
The Map Room

From: Jerry Rafshoon Jerry

I. PURPOSE

To tape two interviews which will be broadcast on Mexican television prior to your visit with Lopez Portillo.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Two interviews have been coordinated by Bill Graves of International Communications Agency with the following -

Jacobo Zabludovsky, Televisa correspondent, ten (10) minutes;

Lopez Doriga, Channel 13, Mexican government TV, five (5) minutes.

B. Participants: Mr. Zabludovsky and Mr. Doriga.

C. Press Plan: White House photographer.

III. TALKING POINTS

Questions have already been submitted to Phil Wise.

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THE WHITE HOUSE

WASHINGTON

C

February 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ BJ

RE: Justice Department criminal prosecution against two ITT officials

The United States Circuit Court of Appeals recently ruled against the Justice Department in its appeal from the District Court ruling in this matter.

The Assistant Attorney General for the Criminal Division, Philip Heymann, advised me on Thursday morning of this week that the Justice Department has decided to dismiss its case against one of these two defendants, Robert Berrellez.

With reference to the other case against Edward J. Gerrity, Justice will make a decision within the next ten days whether or not to try and pursue the prosecution.

As a result of these cases, as well as other matters which have arisen, the Justice Department is working on proposed legislation to try and handle situations in which the need for protecting national security might come in conflict with the need for pursuing criminal prosecutions. The Criminal Division is working on its first draft of suggested options in this matter. Our office, along with representatives of the CIA and the Department of Defense, will consult with the Justice Department in preparing this proposed legislation.

I will keep you advised.

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THE WHITE HOUSE
WASHINGTON
2/8/79

Attorney General Bell
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat
Jerry Rafshoon

THE WHITE HOUSE
WASHINGTON

2/7/79

Mr. President:

Rafshoon, Lipshutz and Eizenstat concur.

Eizenstat adds, however, that "your interest in improving government should not become understood solely as an investigatorial-prosecutorial campaign to root out malfeasance; there is evidence that government employees are reacting somewhat negatively to this perceived emphasis, a trend which Scotty Campbell believes could potentially threaten employee support for civil service reform implementation... A management improvement effort, such as the one Scotty has proposed for joint development with OMB, could have a more positive tone... We are working with OMB and OPM to forge agreement on the structure of such a management improvement program..."

Rick

a) Another council?
b) Possible to combine with positive aspect of efficiency & better management?
c) How does Scotty feel about this?
d) Let Exec Com Group meet, assess, then report to me
J.C.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 1 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Griffin B. Bell GBB
James T. McIntyre, Jr. Jim

SUBJECT: Proposal to Establish a Council to Coordinate Efforts of the Inspectors General and Other Officials to Combat Fraud and Waste in Government Programs

We have been considering how best to assure effective implementation of the Inspector General program as you have recently expanded and approved it. We have concluded that there is an immediate need for a new mechanism which would integrate our management systems and criminal justice activities and would provide visible and centralized leadership to all who are responsible for combating waste, fraud, and mismanagement in government programs. We, therefore, recommend that you issue the attached proposed Executive order to establish a high-level Council to provide coordination and policy direction to the Inspectors General, the heads of major investigative agencies, and related audit, investigative, and management personnel.

The Order would establish the National Council to Combat Fraud and Waste in Government. The Council would be the logical vehicle for carrying forward the work you have already initiated to implement the Inspector General program: the IG selection effort, extension of salient IG program features to the rest of the government, and the call for comprehensive implementation plans and vulnerability assessments from all agencies. Its creation would assure the public of the continued interest and attention which you personally are giving this important effort and would create public confidence that the effort will be led in a sound manner.

We believe that only by establishing this Council can we effectively bring together the two major disciplines--management and law enforcement--needed for the total

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effort and at the same time assure interagency coordination and centralized direction. While the Inspectors General and counterpart officials would continue to discharge the responsibilities assigned to them individually, the proposed Council would oversee the entire effort against both fraud and waste.

The Council would be chaired by the Deputy Attorney General; the Deputy Director of OMB would be the Vice Chairman. Its membership would include all statutory Inspectors General, the Special Counsel of the Merit Systems Protection Board, the heads of the major law enforcement agencies, the Assistant Secretary of Treasury for Enforcement, and the Director of the Office of Personnel Management. Other officials would be brought in to work with the Council as appropriate. The Council would have a small Executive Committee composed of the Chairman and Vice Chairman, three designated Inspectors General, and the Director of the FBI. The Council and its Executive Committee would be supported by staff drawn from the Justice Department and the Office of Management and Budget.

?

?

Small group meet, assess -

The Council would have responsibility for ensuring that the maximum benefit is obtained from the work of the Inspectors General and their counterparts by coordinating their efforts with those of the Department of Justice, Federal law enforcement agencies, the Office of Management and Budget, and the Office of Personnel Management. To this end, the Council would assist the Inspectors General in fulfilling their statutory mandate to protect Federal programs against fraud, abuse, and waste by:

(1) Promoting the coordinated use of available audit and investigative resources;

(2) Developing programs to train audit and investigative personnel;

(3) Developing programs to improve the detection and prevention of fraud, abuse, and waste;

(4) Providing a vehicle for addressing extraordinary problems or issues beyond the capacity or authority of individual agencies; and

(5) Developing recommendations for legislation and other government-wide actions to reduce fraud, abuse, and waste.

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We think it is crucial that the Council be established immediately so that it will already be functioning when the new Inspectors General are selected and begin their orientation.

We are continuing to work with Director Campbell on developing a strong government-wide management improvement effort. It will take advantage of the opportunities afforded by Civil Service Reform to improve management practices and program performance across the entire government. We believe this effort is so important that it warrants attention in its own right--separate from the war on fraud and waste, which might otherwise overwhelm it.

Attachment

THE WHITE HOUSE
WASHINGTON

This is part
of Feb 8
Bell-McIntyre
work & Frank memo

R.

1-3. <u>RESPONSIBILITIES OF ALL DEPARTMENTS AND AGENCIES</u>

1-301. Each Executive agency shall cooperate with the Council in the performance of its functions under this Order.

1-302. To the extent permitted by law, and within the limits of available funds, each Executive agency shall furnish the Council with reports, information, and assistance as requested.

THE WHITE HOUSE,

EXECUTIVE ORDER

- - - - - - - -

PROVIDING FOR THE NATIONAL COUNCIL TO COMBAT FRAUD AND WASTE IN GOVERNMENT

By the authority vested in me as President by the Constitution and statutes of the United States of America, and in order to combat waste and fraud in programs of the Federal government, it is hereby ordered as follows:

1-1. ESTABLISHMENT OF THE COUNCIL

1-101. There is hereby established the National Council to Combat Fraud and Waste in Government.

1-102. The Council shall be composed of the following officials, and such others as the Attorney General and the Director of the Office of Management and Budget may from time to time designate:

(a) Deputy Attorney General;

(b) Deputy Director, Office of Management and Budget;

(c) Director, Federal Bureau of Investigation;

(d) Commissioner, Internal Revenue Service;

(e) Chief Postal Inspector;

(f) Inspectors General of the Departments of Energy, Health, Education, and Welfare, and those Inspectors General established by the Inspector General Act of 1978 (Public Law 95-452);

(g) Special Counsel of the Merit Systems Protection Board;

(h) Deputy Secretary of Defense, or his designee (*ex officio*);

(i) Director, Office of Personnel Management;

(j) Assistant Secretary of the Treasury (Enforcement and Operations); and

(k) Assistant Attorney General, Criminal Division.

1-103. The Deputy Attorney General shall serve as Chairman and the Deputy Director, the Office of Management and Budget, shall serve as Vice Chairman of the Council.

The Chairman and Vice Chairman may establish such procedures and subcommittees, and take such other actions as they deem necessary or appropriate to carry out the provisions of this Order.

1-104. An Executive Committee of the Council, composed of the Chairman, the Vice Chairman, three Inspectors General (designated by the Chairman and Vice Chairman), and the Director, Federal Bureau of Investigation, is hereby established. The Executive Committee shall meet regularly on call of the Chairman or Vice Chairman and shall exercise the powers of the Council between meetings of the Council.

1-2. <u>RESPONSIBILITIES AND FUNCTIONS OF THE COUNCIL</u>

1-201. The Council shall provide leadership, and formulate policy and operational guidance, to the Inspectors General and other officers of the Executive Branch in combating fraud and abuse in government programs, including the development and promotion of:

(a) programs that prevent and detect fraud and abuse in Federal programs;

(b) procedures to assure that investigations by the Inspectors General and similar officials are coordinated with investigative and prosecutorial activities by law enforcement agencies; and

(c) improvements in training for audit and investigative personnel.

1-202. The Council shall promote the coordinated allocation and direction of audit and investigative resources.

1-203. The Council shall study and seek to resolve extraordinary problems or issues relating to fraud and waste which are beyond the capacity or authority of the individual executive departments or agencies.

1-204. The Council shall develop recommendations for needed legislation and other actions that can be taken to reduce fraud and waste in the Federal government.

ID 790011 THE WHITE HOUSE

~~WASHINGTON~~

DATE: 01 FEB 79

FOR ACTION: STU EIZENSTAT Ellen/Si -short memo - ok   BOB LIPSHUTZ concur

JERRY RAFSHOON concurs

INFO ONLY: THE VICE PRESIDENT   HAMILTON JRODAN

JODY POWELL   JACK WATSON

ANNE WEXLER

SUBJECT: BELL MCINTYRE MEMO RE PROPOSAL TO ESTABLISH A COUNCIL TO COORDINATE EFFORTS OF THE IG'S AND OTHER OFFICIALS TO COMBAT FRAUD AND WASTE IN GOVT PROGRAMS

++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1200 PM MONDAY 05 FEB 79 +

++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Linder retyping

ID 790011 THE WHITE HOUSE

WASHINGTON

DATE: 01 FEB 79

FOR ACTION: STU EIZENSTAT BOB LIPSHUTZ

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT HAMILTON JRODAN

JODY POWELL JACK WATSON

ANNE WEXLER

SUBJECT: BELL MCINTYRE MEMO RE PROPOSAL TO ESTABLISH A COUNCIL TO COORDINATE EFFORTS OF THE IG'S AND OTHER OFFICIALS TO COMBAT FRAUD AND WASTE IN GOVT PROGRAMS

+++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM MONDAY 05 FEB 79 +

+++

ACTION REQUESTED:

STAFF RESPONSE: (✓) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 790011 ... E HOUSE

...NGTON

xc: Bert
Frank
Si

DATE: 01 FEB 79

FOR ACTION: STU EIZENSTAT   BOB LIPSHUTZ
JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT   HAMILTON JRODAN
JODY POWELL   JACK WATSON
ANNE WEXLER

SUBJECT: BELL MCINTYRE MEMO RE PROPOSAL TO ESTABLISH A COUNCIL TO COORDINATE EFFORTS OF THE IG'S AND OTHER OFFICIALS TO COMBAT FRAUD AND WASTE IN GOVT PROGRAMS

+++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM MONDAY 05 FEB 79 +

+++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

February 7, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
SI LAZARUS

SUBJECT: McIntyre-Bell Memo on Council to Coordinate Fraud and Waste Campaign

We concur in the recommendation in this memo to establish a council to coordinate government-wide efforts to combat fraud and waste. However, we wish to underscore the importance of the last paragraph in the memo, noting OMB's efforts to develop with Scotty Campbell a council to improve management efficiency. Your interest in improving government should not become understood solely as an investigatorial-prosecutorial campaign to root out malfeasance; there is evidence that government employees are reacting somewhat negatively to this perceived emphasis, a trend which Scotty Campbell believes could potentially threaten employee support for civil service reform implementation, including enlistment in the Senior Executive Service. A management improvement effort, such as the one Scotty has proposed for joint development with OMB, could have a more positive tone. In addition, this concept has the potential for targeting particular trouble-spots where dramatic improvements might be made in the delivery of services to concerned constituencies. We are working with OMB and OPM to forge agreement on the structure of such a management improvement program. Our hope is that it can be put in place quickly and begin to produce visible results by the third or fourth quarter of this year.

THE WHITE HOUSE
WASHINGTON

2/8/79

Bob Strauss
Stu Eizenstat
Zbig Brzezinski
Charlie Schultze

The attached was returned in the President's outbox today and is forwarded to you for your information and appropriate handling.

The signed originals have been given to Bob Linder.

Rick Hutcheson

cc: Bob Linder

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION	FYI	
		VICE PRESIDENT
		JORDAN
✓		EIZENSTAT
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		RAFSHOON
		WATSON
		WEXLER
✓		BRZEZINSKI
		MCINTYRE
✓		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
✓		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
		HUTCHESON
		KAHN
✓		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

Pres note on p 2

THE WHITE HOUSE
WASHINGTON

2/7/79

Mr. President:

DPS, NSC and CEA concur with Strauss (Option 1).

No comment from Kahn, McIntyre or CL.

If you agree with Strauss et al, THREE SIGNATURES NEEDED.

Rick

LAST DAY FOR ACTION:
Sunday, February 10, 1979

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

LIMITED OFFICIAL USE

MEMORANDUM FOR THE PRESIDENT

FROM : Robert S. Strauss RSS

SUBJECT: Clothespins

By February 10, 1979 you must decide whether to grant import relief to the domestic clothespin industry. The USITC by a unanimous vote found the industry injured by increased imports and recommended that you establish a 3.2 million gross quota on imported wood and plastic spring clothespins valued at $2.10 per gross or less.*

The domestic clothespin industry is currently in considerable distress. In the 1975-77 period, total sales, shipments and employment were down, and without assistance, it is possible that as many as two of the four producers of wooden-spring clothespins will be forced to close. Those firms are located in small, isolated towns in Maine and Vermont, and the impact of the closures would be very adverse on the communities involved. The entire Congressional delegation of Maine has expressed support for import relief.

You should be aware that China was the major supplier of clothespins (although the value of trade was only about $500,000 and the volume, 835,000 gross) and Taiwan the second largest in 1977. In 1978, exports from China shrank to about $160,000 (240,000 gross) and they were no longer the principal supplier.

The interagency Trade Policy Staff Committee (TPSC), Agriculture, STR, Commerce, Labor, Treasury and Justice, acting on behalf of the Cabinet level Trade Policy Committee (TPC), recommends that you authorize the establishment of a global, three-year price bracketed quota on wood and plastic clothespins with a dutiable value not over $1.70 per gross in the amount of two million gross units. The Council of

*You will recall that you denied relief for this industry in October of last year in a case involving only the People's Republic of China (PRC) under section 406 of the Trade Act. In denying relief you stated that the import problems facing the domestic industry would be considered within the context of this escape clause case covering imports from all sources.

Economic Advisors has abstained from voting in this case, and the Department of State has dissented. I concur in the recommendation that import relief would be in the economic interest for the following reasons:

1. The social consequences of denying relief would appear to outweigh the economic costs of providing it. There is the likelihood that two of the four producers will be forced to close if import relief is not forthcoming. Since the firms which are the most vulnerable are the only manufacturing facilities in remote Northeast communities where alternative employment is scarce, the social costs would be high.

2. Assistance will not be costly. We estimate that the total consumer cost of relief would be less than $1.0 million.

3. The recommended relief will provide temporary and modest relief which will not impose an undue inflationary burden on the economy. The major clothespin manufacturers - have given written commitments to comply with anti-inflation guidelines.

Be sure these small ones do also

4. The cost of possible compensation to supplying countries (i.e. reducing tariffs on products of interest to them) will be low, less than $1.5 million in 1977, since the major suppliers are not GATT members. It can be argued that a price-bracketed quota will actually help preserve the market shares of traditional MFN suppliers against the market inroads of lower price suppliers.

5. Two firms in the industry have put forward concrete strategies for modernizing and rationalizing production facilities during the years of relief. Also, they intend to improve their marketing and promotional activities. These steps should put them in a better position to compete once relief is lifted (although the ability of the industry to survive over the long term is questionable).

The Department of State recommends that you deny import relief to the domestic industry: Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers

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of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

I favor relief because it is the basic premise of our trade law that we will reduce tariffs across-the-board year after year, as we have for the last four decades, on the condition that when a particular industry suffers injury from imports, we will reimpose trade restrictions temporarily. This is designed to ease the period of transition for the workers involved. Hopefully, the adjustment can take the form of the industry becoming more competitive and employment stabilizing. But if that is not possible, some temporary relief from imports can give the workers and the other resources of the industry time to move into alternative employment.

Please indicate below which option you approve.

Option 1 (Relief): ✓

Option 2 (No Relief): ______

Please Discuss With Me: ______

The attached memorandum provides more detailed background information on this issue. Also attached are drafts of your decision memorandum detailing the proposed relief, and reports to Congress.

J

Attachments

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THE WHITE HOUSE

WASHINGTON

Dear Mr. Speaker:

In accordance with section 203(b)(1) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision to provide import relief on wood and plastic clothespins in the form of a price-bracketed quota.

Sincerely,

Jimmy Carter

The Honorable Thomas P. O'Neill, Jr.
Speaker of the
U.S. House of Representatives
Washington, D.C. 20515

IMPORT RELIEF ACTION

CLOTHESPINS

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to wood and plastic clothespins covered by the affirmative finding on December 12, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act.

After considering all relevant aspects of the case, including those considerations set forth in sec'ion 202(c) of the Trade Act of 1974, I have decided to authorize import relief which is a variation on the relief recommended by the USITC. Within 15 days, I will issue a Presidential Proclamation authorizing the imposition of a three-year, global quota on wooden and plastic spring clothespins (TSUS 790.05) with a dutiable value of not more than $1.70 per gross. The quota, administered quarterly on a *pro rata* basis, will be broken down as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	600,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

During the course of each year, as it becomes apparent that the quota for any price bracket will not be filled for the year, then the remainder of the allocation may be reapportioned among the other brackets whose quotas have been filled.

The relief option I have authorized is slightly less restrictive than the USITC recommended action though it will be effective in limiting imports. The USITC quota was overly restrictive with respect to lowest price producers and too generous with higher price clothespins which are not currently traded in significant volumes. The remedy I have chosen also would have a less distortive impact on the imports of additional suppliers, who have not participated in the surge in imports and should enable domestic producers to expand their capacity utilization rates to more efficient operating levels.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b) of the Trade Act; Clothespins

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on December 12, 1978, concerning the results of its investigation of import injury which was established on its own motion. The investigation was initiated as an outgrowth of information collected in conjunction with Commission investigations Nos. TA-406-2, TA-406-3, and TA-406-4, conducted under section 406(a) of the Trade Act of 1974 and concerning clothespins from the People's Republic of China, the Polish People's Republic, and the Socialist Republic of Romania. All four investigations have concerned clothespins imported under items 790.05, 790.07, and 790.08 of the TSUS.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have decided to accept a variation of the injury relief recommendation made by the USITC. Within 15 days, I will issue a Presidential Proclamation authorizing that a three-year global import quota be established on wood and plastic clothespins (TSUS item 790.05) with a dutiable value not over $1.70 per gross in the amount of two million gross pins. The quota, administered quarterly on a pro rata basis, will be allocated as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	600,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

During the course of each year, as it becomes apparent that the quota for any price bracket will not be filled for the year, then the remainder of the allocation may be reapportioned among the brackets whose quotas have been filled.

Relief is warranted for the following reasons:

1. The social costs of denying relief would be very high, since producers are located in isolated regions in the Northeast where alternative employment is scarce.

2. Assistance will not be costly and will not impose an inflationary burden on the economy. The major clothespin manufacturers have provided commitments to comply with the Administration's anti-inflation program.

3. Major clothespin producers have given their assurances that the relief period will be used to modernize facilities, improve distributional channels and promote their product. These steps should put them in a better competitive position once relief is lifted.

This determination is to be published in the Federal Register.

X Jimmy Carter

NSC-800

MEMORANDUM

NATIONAL SECURITY COUNCIL

February 6, 1979

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON Christine

SUBJECT: Strauss Memo "Import Relief to Clothespin Industry"

The NSC approves and supports Option 1 on the attached.

THE WHITE HOUSE

WASHINGTON

Date: 3 February 1979

MEMORANDUM

FOR ACTION:
EIZENSTAT concur
MOORE nc - Bechtel
BRZEZINSKI comm OPT-1
MCINTYRE - nc
SCHULZTE - comments
KAHN nc

FOR INFORMATION:
THE VICE PRESIDENT
LINDER - typed + attached

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Strauss Memo, "IMPORT RELIEF TO CLOTHESPIN INDUSTRY"

2-10 Deadline

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 9:00 AM

DAY: Tuesday

DATE: 6 February

ACTION REQUESTED:

____ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

Dear Mr. Speaker:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision that import relief for the domestic wood and plastic clothespin industry is not in the national economic interest, and explaining the reasons for my decision.

Sincerely,

X

The Honorable Thomas P. O'Neill, Jr.
Speaker of the
U.S. House of Representatives
Washington, D.C. 20515

IMPORT RELIEF ACTION

CLOTHESPINS

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to clothespins covered by the affirmative finding on December 12, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my action differs from that recommended by the USITC, I have included the reasons for my decision.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1874, I have determined that import relief for the domestic clothespin industry would not be in the national economic interest. Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

THE WHITE HOUSE

WASHINGTON

Dear Mr. President:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision that import relief for the domestic wood and plastic clothespin industry is not in the national economic interest, and explaining the reasons for my decision.

Sincerely,

X

The Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

IMPORT RELIEF ACTION

CLOTHESPINS

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to clothespins covered by the affirmative finding on December 12, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my action differs from that recommended by the USITC, I have included the reasons for my decision.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1874, I have determined that import relief for the domestic clothespin industry would not be in the national economic interest. Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b) of the Trade Act; Clothespins

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on December 12, 1978, concerning the results of its investigation of import injury which was established on its own motion. The investigation was initiated as an outgrowth of information collected in conjunction with Commission investigations Nos. TA-406-2, TA-406-3, and TA-406-4, conducted under section 406(a) of the Trade Act of 1974 and concerning clothespins from the People's Republic of China, the Polish People's Republic, and the Socialist Republic of Romania. All four investigations have concerned clothespins imported under items 790.05, 790.07, and 790.08 of the TSUS.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have decided to deny relief to the domestic industry. Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

This determination is to be published in the _Federal Register_.

X

Background

Problem

On December 12, 1978, under the authority of section 201 (b)(1) of the Trade Act, the U.S. International Trade Commission (USITC) reported to you unanimously that the domestic clothespin industry was injured or threatened with injury due to increased imports of clothespins. The Commission also unanimously recommended that you impose a five year, price - bracketed quota on wood and plastic spring clothespins in the amount of 3.2 million units. If you do not accept the USITC remedy, your decision will be subject to a Congressional override by joint resolution of a majority of those present and voting in both houses--in which case the USITC remedy will take effect.

Action Required

By February 10, 1979 you must decide and announce whether import relief for the domestic clothespin industry would be in the national economic interest. If you decide relief is appropriate, you must also announce at the same time what form of relief will be given. Relief must then be proclaimed within 15 days of the announcement unless you decide to negotiate orderly marketing agreements in which case you have 90 days to proclaim relief.

Key Factors

The domestic wood spring clothespin industry is composed of four firms which are located in isolated areas in Maine and Vermont. Several of the facilities constitute the sole manufacturing establishments in the communities where they are located. Unfortunately, these are the very facilities which have been most impacted by the surge in imports and are in imminent danger of closing. The devastation, both social and economic, which such closures would have on the communities they support, provide a compelling reason for relief.

The imposition of import relief on so insignificant a product as clothespins would not normally be an issue of serious foreign political concern. However, because a decision in this case follows so closely on the heels of the visit by Chinese Vice Premier Teng Hsiao-ping, the implications and presentational aspects of this case need to be seriously considered. However, you earlier rejected restrictions against PRC clothespins alone. This case involves imports from all sources.

Provision of import relief based on social grounds is of considerable concern to the entire Congressional delegation of Maine.

Background

Among the five firms which produce wood and plastic clothespins, four are fairly small, privately-owned corporations, while a fifth is part of a multinational conglomerate. These firms, with total clothespin sales of $7.7 million in 1977, are all that remains of a much larger industry which antedated the invention of the automatic clothesdryer.

Apparent consumption of all clothespins has been declining steadily since the early 1960's. Domestic producers were able to retain about 70 percent of this declining market until 1974 when imports of very low priced pins from Taiwan and the People's Republic of China began to penetrate the U.S. market in huge numbers. Within the course of only one year, the import penetration ratio went from 29 to 42 percent, and by 1976 expanded to 48 percent. Between 1974 and 1977, imports from these two countries grew from zero to 53 percent, though imports from the PRC have subsequently declined substantially. The growth in imports during this period is in contrast to the surprising stability in the general trend in imports evidenced from 1959 to 1974.

Rather than displacing traditional foreign suppliers of clothespins, this one million gross increase appears to have primarily displaced domestic suppliers. Producers shipments, employment, and sales fell in real terms. Certain of the domestic firms were harder hit than others, and at least one company has experienced financial losses in four out of the last five years.

Attachments

In determining whether to provide relief and what method or amount of import relief will be provided, you are required by the Trade Act of 1974 to take into account nine considerations and any other consideration that you may deem relevant. These nine considerations are fully discussed in the attached paper prepared by the Trade Policy Staff Committee which reviewed in detailed the USITC 201 report on clothespins (Attachment 1). Attached is also a draft of the Federal Register notice.

Implementation

If you decide to grant import relief, we will prepare the required Presidential Proclamation for your signature within 15 days of your decision.

Attachments

OPTION 1 (RELIEF)

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

In accordance with section 203(b)(1) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision to provide import relief on wood and plastic clothespins in the form of a price-bracketed quota.

Enclosure

OPTION 1 (RELIEF)

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with section 203(b)(1) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision to provide import relief on wood and plastic clothespins in the form of a price-bracketed quota.

Enclosure

IMPORT RELIEF ACTION

CLOTHESPINS

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to wood and plastic clothespins covered by the affirmative finding on December 12, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have decided to authorize import relief which is a variation on the relief recommended by the USITC. Within 15 days, I will issue a Presidential Proclamation authorizing the imposition of a three-year, global quota on wooden and plastic spring clothespins (TSUS 790.05) with a dutiable value of not more than $1.70 per gross. The quota, administered quarterly on a pro rata basis, will be broken down as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	600,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

During the course of each year, as it becomes apparent that the quota for any price bracket will not be filled for the year, then the remainder of the allocation may be reapportioned among the other brackets whose quotas have been filled.

The relief option I have authorized is slightly less restrictive than the USITC recommended action though it will be effective in limiting imports. The USITC quota was overly restrictive with respect to lowest price producers and too generous with higher price clothespins which are not currently traded in significant volumes. The remedy I have chosen also would have a less distortive impact on the imports of traditional suppliers, who have not participated in the surge in imports and should enable domestic producers to expand their capacity utilization rates to more efficient operating levels.

DRAFT MEMORANDUM FOR THE

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b) of the Trade Act; Clothespins

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on December 12, 1978, concerning the results of its investigation of import injury which was established on its own motion. The investigation was initiated as an outgrowth of information collected in conjunction with Commission investigations Nos. TA-406-2, TA-406-3, and TA-406-4, conducted under section 406(a) of the Trade Act of 1974 and concerning clothespins from the People's Republic of China, the Polish People's Republic, and the Socialist Republic of Romania. All four investigations have concerned clothespins imported under items 790.05, 790.07, and 790.08 of the TSUS.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have decided to accept a variation of the injury relief recommendation made by the USITC. Within 15 days, I will issue a Presidential Proclamation authorizing that a three-year global import quota be established on wood and plastic clothespins (TSUS item 790.05) with a dutiable value not over $1.70 per gross in the amount of two million gross pins. The quota, administered quarterly on a _pro rata_ basis, will be allocated as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	600,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

During the course of each year, as it becomes apparent that the quota for any price bracket will not be filled for the year, then the remainder of the allocation may be reapportioned among the brackets whose quotas have been filled.

Relief is warranted for the following reasons:

1. The social costs of denying relief would be very high, since producers are located in isolated regions in the Northeast where alternative employment is scarce.

2. Assistance will not be costly and will not impose an inflationary burden on the economy. The major clothespin manufacturers have provided commitments to comply with the Administration's anti-inflation program.

3. Major clothespin producers have given their assurances that the relief period will be used to modernize facilities, improve distributional channels and promote their product. These steps should put them in a better competitive position once relief is lifted.

This determination is to be published in the _Federal Register_.

OPTION 2 (NO RELIEF)

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision that import relief for the domestic wood and plastic clothespin industry is not in the national economic interest, and explaining the reasons for my decision.

Enclosure

OPTION 2 (NO RELIEF)

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision that import relief for the domestic wood and plastic clothespin industry is not in the national economic interest, and explaining the reasons for my decision.

Enclosure

IMPORT RELIEF ACTION

CLOTHESPINS

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to clothespins covered by the affirmative finding on December 12, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my action differs from that recommended by the USITC, I have included the reasons for my decision.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1874, I have determined that import relief for the domestic clothespin industry would not be in the national economic interest. Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

DRAFT MEMORANDUM FOR THE

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b) of the Trade Act; Clothespins

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on December 12, 1978, concerning the results of its investigation of import injury which was established on its own motion. The investigation was initiated as an outgrowth of information collected in conjunction with Commission investigations Nos. TA-406-2, TA-406-3, and TA-406-4, conducted under section 406(a) of the Trade Act of 1974 and concerning clothespins from the People's Republic of China, the Polish People's Republic, and the Socialist Republic of Romania. All four investigations have concerned clothespins imported under items 790.05, 790.07, and 790.08 of the TSUS.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have decided to deny relief to the domestic industry. Although the industry has been damaged by increased imports, import relief is not the appropriate remedy. The industry's adjustment plans to meet import competition rest on its ability to convince consumers of the superior quality of domestic clothespins and to lower costs through new equipment. The financial and technical (marketing) assistance required by interested and eligible firms is well within the lending authority of the Trade Adjustment Assistance Program and can be tailored to the needs of each firm. Therefore, since domestic solutions are available, they should be the preferred method of assistance.

This determination is to be published in the Federal Register.

TRADE POLICY STAFF COMMITTEE

ACTION RECORD

DATE: January 30, 1979

DOCUMENT: 79-17

SUBJECT: Review of the USITC Section 201 Report on Clothespins

SUBMITTED BY:

~~ATTENDANCE~~/TELEPHONE CLEARANCE:

Agency	Member or Alternate	Other
STR	Doris Whitnack, Acting Chairman	March Schweitzer
Agriculture	G.White	D.Schoonover
Commerce	W.Cavitt	
Defense		
Interior	H.Andersen	
Labor	D. Parker	
State	J.Spiro (see below)	
Treasury	J.Murphy	
USITC	J.Boyd	
Justice		A. Sierck
CEA		S. Kohlhagen

COMMITTEE DECISION:

Paper approved with State dissenting, and CEA abstaining.

COMMITTEE COMMENT:

Mary F. D'Angelo
Secretary

CONTENTS

PROBLEM

On December 12, 1978, the U.S. International Trade Commission (USITC) reported to the President its affirmative finding (by a unanimous vote) that clothespins, provided for in items 790.05, 790.07 and 790.08 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increasing quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with imported articles. The Commission unanimously recommends that a five year quota be imposed on U.S. imports of wood and plastic spring clothespins with a dutiable value not over $2.10 per gross that are provided for under item 790.05 of the TSUS.

By February 10, 1978, the President shall determine what method and amount of import relief he will provide, or determine that the provision of such relief is not in the national economic interest of the United States.

RECOMMENDATION

The TPSC recommends the imposition of a five year global quota on wood and plastic clothespins (TSUS item 790.05) with a dutiable value not over $1.70 per gross in the amount of 2.0 million gross units for three years. This quota should be expanded by 100,000 gross annually in the $1.35 to $1.70 price brackets in the fourth and fifth years. The quota will be broken out by prices as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	600,000 gross
Valued over 1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

LIMITED OFFICIAL USE

BACKGROUND

A. On July 27, 1978, under the authority of section 201 (b)(1) of the Trade Act, the USITC instituted an investigation on its own motion. The Commission initiated this case as a result of information collected in connection with Commission investigations Nos. TA-406-2, TA-406-3, and TA-406-4, conducted under section 406(a) of the Trade Act of 1974 and concerning clothespins from the People's Republic of China, the Polish People's Republic, and the Socialist Republic of Romania.

The four Commissioners voting (Chairman Parker, Vice Chairman Bill Alberger, and Commissioners George M. Moore and Catherine Bedell) unanimously determined that increased imports of clothespins are a substantial cause of serious injury, or the threat thereof, to the domestic clothespin industry. These same Commissioners recommended that a quota be imposed on U.S. imports of wood and plastic spring clothespins with a dutiable value not over $2.10 per gross that are provided for under item 790.05 of the TSUS.

The quota that the Commission recommended would commence January 1, 1979 and last for five years and would be administered on a yearly basis. The quota amount of 3.2 million gross clothespins a year would be allocated on a global basis as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	200,000 gross
Valued over 80 cents per gross but not over $1.35 per gross	400,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	600,000 gross
Valued over $1.70 per gross but not over $2.10 per gross	2,000,000 gross
Total	3,200,000 gross

B. Tariff Treatment

Clothespins are imported under items 790.05, 790.07, and 790.08 of the TSUS. According to official U.S. statistics, approximately one-half of these clothespins are imported at most-favored-nation rates of duties. The column 1 rate for wood and plastic spring clothespins (TSUS item 790.05) is ten cents per gross; non-spring clothespins of plastic enter under TSUS 790.07 at a dutiable rate of 8.5 percent ad valorem while other non-spring clothespins (TSUS 790.08) are dutiable at 7.5 percent ad valorem. The column 2 rates are 20 cents per gross, 80 percent ad valorem and 35 percent ad valorem, respectively. Almost one-half of all clothespin imports enter the U.S. under column 2 rates of duty. All column 1 rates of duty were reduced by 50 percent to their current rates as a result of the Kennedy Round of Trade Negotiations.

In the current Tokyo Round of trade negotiations, the U.S. has put initial formula offers on the table on all three tariff items.

Of the three items, only TSUS item 790.07 has been designated for duty-free treatment under the Generalized System of Preferences.

C. U.S. Producers

There are currently five producers of clothespins in the United States; Diamond International Corp. with production facilities in Peru, Maine; Forster Manufacturing Co., Inc., Wilton and Mattawamkeg, Maine; Penley Corp., West Paris, Maine; National Clothespin Co., Inc., Montpelier, Vermont; and the Vermont Plastics, Inc., Montpelier, Vermont.

The following tabulation shows the clothespin product lines of the five domestic producers:

Company	Wood spring clothespins	Roundhead or squarehead wood clothespins	Plastic spring clothespins	Ironbound roundhead wood clothespins	Articles other than clothespins
Diamond International	X	1/			X
Forster	X	X	X	X	X
Penley	X	X	X		
National Clothespin	X	2/			
Vermont Plastics			X		X

1/ Diamond International has informed the Commission that, in early 1978, it phased out its production of roundhead wood clothespins.

2/ National purchases its requirements of roundhead clothespins from Forster.

LIMITED OFFICIAL USE

Diamond International is a multinational conglomerate that is the only firm of the five U.S. producers of clothespins to be a publicly held corporation. Diamond is the second ranking U.S. producer of clothespins (after Forster) with 1977 clothespin sales amounting to $2.2 million or 27 percent of domestic shipments. These sales, however, accounted for only 0.2 percent of Diamond's overall sales of all products and services in 1977 ($978.8 million). Most of Diamond's product lines are derived from the raw materials harvested from Diamond's private forest lands.

Forster is a privately held corporation with annual sales of all products amounting to more than $15 million in 1977. Forster's sales of clothespins were valued at $3.2 million in 1977 (or 21 percent of its total sales of all products), making the firm the largest U.S. producer of clothespins (accounting for nearly 43 percent of domestic shipments in 1977). The firm has attempted to diversify its product line in recent years; however, virtually all of its product lines are derived from forest products.

Penley, the third largest U.S. producer of clothespins, supplying 23 percent of domestic shipments, had 1977 sales of clothespins amounting to $1.8 million. It, like Forster, is a privately held corporation. Wood and plastic clothespins account for virtually the entire product line of the firm. National, with 1977 sales of clothespins valued at $455,000, is the fourth largest U.S. producer. It, too, is a privately held corporation with clothespins accounting for virtually all of its annual sales. Over 90 percent of National's output has been purchased by F. W. Woolworth Co., and Murphys in recent years. National supplied less than seven percent of domestic shipments in 1977.

Vermont Plastics, a privately owned firm, with annual sales of its plastic clothespins valued at about $80,000 in 1977, is the smallest of the five domestic clothespin producers. Vermont Plastic has indicated that it is going to phase out its production of plastic clothespins because of rising materials costs and competition from the other domestic producers, rather than foreign competition.

D. The Product

There are four types of clothespins in production: spring-type clothespins of wood or plastic, and nonspring-type clothespins of wood whether or not ironbound.

For many years, the nonspring-type clothespin, known as the standard clothespin, was the mainstay of the industry. However, after World War II, spring-type wooden clothespins rapidly took over the lion's share of the market and today account for 83 percent of total U.S. production and 66 percent of U.S. capacity.

Nonspring wooden clothespins account for 30 percent of U.S. capacity but only 14 percent of U.S. production. The remaining four percent of U.S. capacity and three percent of U.S. production are divided between plastic spring and wood ironbound clothespins. In general, wood spring clothespins account for a gradually increasing share of U.S. production, while the other categories of clothespins have declined in importance.

Clothespins are very simple to produce. In the U.S. and other industrialized countries, production techniques are similar and fairly mechanized; however, in less developed areas, labor substitutes for machines to a considerable extent. In some countries, the manufacture of clothespins is thought to be a cottage industry.

In the domestic manufacturing process for wood clothespins, hardwood such as beech or maple is sawed to the length of the prospective clothespins and then grooved. The wood is then sawed or sliced to the required widths. The unassembled clothespin parts are then tumble dried for eight to ten hours in large dryers, with small amounts of paraffin wax added. This drying process provides the clothespin parts with a smooth, "finished" appearance. Finished unassembled clothespin parts are then fed into an assembly machine, where small galvanized steel wire springs are attached to complete the wood spring clothespins. The galvanized steel wire from which the springs are made is usually imported from Belgium.

In late 1977, Forster Manufacturing Co. started production of a "down sized" wood spring clothespin. This smaller clothespin is 2-7/8 inches in length compared with the normal 3-1/4 inches in length; the smaller clothespin uses a smaller 16-gage wire, as opposed to the regular 15-gage wire. The smaller clothespin was developed in order to reduce costs and to compete head-on with small wood spring clothespins from China, Taiwan, and Hong Kong that had captured over one-half of total U.S. imports of clothespins by 1977. A majority of imported pins had been of a smaller size for the last 20 years.

Unassembled plastic spring clothespin parts are made by the injection-molding process and then assembled on the same assembly machines as the wood spring clothespins. However, since the cost of producing plastic spring-type clothespins has been rapidly increasing because of rising petroleum prices, their production in recent years has been small. In this connection, plastic spring-type clothespins accounted for only two percent of U.S. producers' shipments of clothespins during January-June 1978.

Domestic standard or roundhead nonspring clothespins of wood are manufactured from the same hardwoods as wood spring clothespins. In the manufacturing process, the wood is sawed and shaped into thin poles, which are then cut to clothespin size. The round head of the clothespin is formed on a wood-molding machine, and the slit is made by a grooving process. Like the unassembled wood spring clothespin parts, the roundhead clothespins are put in large dryers with paraffin wax added to give the clothespins a smooth, finished appearance.

Ironbound wooden clothespins are actually roundhead clothespins with a wrapping of steel wire, which prevents the clothespins from splitting. Currently, only Forster Manufacturing Co., Wilton, Maine, manufactures ironbound clothespins; they are higher in price per gross than any other type of clothespin.

E. U.S. Market

While clothespins can be used in a myriad of ways, their primary function is to attach clothes to a line for drying. The market for clothespins in general has been a declining one during the post-war period primarily due to the success of the automatic clothes dryer and the development of perma - press fabrics. As the chart on page 18 shows, apparent consumption of all clothespins has declined consistently since 1962. However, much of the decline has come at the expense of the standard (roundhead) pin which has shown a steady decline in apparent consumption since 1955. Only in the last several years has this decline appeared to taper off at the 1.1 million gross level.

After a severe post-world war slump, consumption of the spring pin climbed sporadically to a peak in 1965, but since that time has show a declining trend. With the exception of the period 1975-1977, domestic shipments of spring clothespins have followed the general trend in apparent consumption--down--while imports, with the exception of the 1976-77 period, have been surprisingly stable.

The market for clothespins has two distinct sectors, the first being the large retailers and mass merchandisers, and the second being the smaller hardware, grocery, and variety stores. There has been substantial growth in the first sector over the past two decades and this is the very sector most responsible for the growth in imports.

F. Supply

U.S. Producers' Shipments

Domestic shipments have declined steadily since 1965 when the volume of clothespins sold hit a post-war high of slightly more than 5,500,000 gross. After falling sharply in the four intervening years, domestic shipments appeared to stabilize at about four million in the period 1969 to 1973. As the table on the next page shows, shipments began to shrink in 1974 and by 1975 shipments had shrunk to three million gross, the lowest level experienced since the early 1950's. The years 1976 and 1977 saw a very small recovery from that 1975 low, and on the basis of 1978 annualized data, a continuation in this recovery appears possible. The best possibility for recovery lies in spring clothespins, since shipments of other clothespins continued to decline, at least through 1977.

U.S. Exports

U.S. exports of clothespins are almost nonexistent.

U.S. Imports

In quantity terms, the growth in total clothespin imports exhibited a strong upward trend in the period 1975 - 1977, going from 1,824,000 gross in 1974 to 3,457,000 in 1977. The growth in imports during this period is in contrast to the surprising stability in the general trend in imports evidenced from 1959 to 1974. Even with the growth spurt, the average level of imports during the period 1973-1977 (2.67 million gross) was only 7.8 percent above the average level of imports during the period 1964-72 and 4.9 percent above the average level during the 1964-77 period. The increase in 1975 and 1976 was largely in spring clothespins which account for roughly 90 percent of total clothespin imports. In 1977, however, imports of wooden spring clothespins leveled off, and in the first half of 1978 started to decline.

The growth in spring clothespins imports was accompanied by a rapid shift in the pattern of trade. Whereas in 1973, West Germany, the Netherlands, and Poland together accounted

TABLE 1

Clothespins: U.S. producers' shipments, imports for consumption, and apparent consumption, 1973-77, January-June 1977, and January-June 1978

Type and period	Producers' shipments	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 gross	1,000 gross	1,000 gross	Percent
Wood and plastic spring clothespins:				
1973	4,289	1,911	6,200	31
1974	3,977	1,661	5,638	29
1975	3,262	2,341	5,603	42
1976	3,375	3,158	6,533	48
1977	3,422	3,098	6,520	48
January-June:				
1977	1,810	1,727	3,537	49
1978	1,996	1,523	3,519	43
All other clothespins:				
1973	1,077	203	1,280	16
1974	920	163	1,083	15
1975	838	182	1,020	18
1976	803	249	1,052	24
1977	704	359	1,063	34
January-June:				
1977	426	230	656	35
1978	411	101	512	20
Total:				
1973	5,366	2,114	7,480	28
1974	4,897	1,824	6,721	27
1975	4,100	2,523	6,623	38
1976	4,178	3,407	7,585	45
1977	4,126	3,457	7,583	46
January-June:				
1977	2,236	1,957	4,193	47
1978	2,407	1,624	4,031	40

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Table 2.--Wood and plastic spring clothespins (TSUS item 790.05): U.S. imports for consumption, by major sources, 1973-77, January-June 1977, and January-June 1978

Source	1973	1974	1975	1976	1977	Jan.-June-- 1977 1/	Jan.-June-- 1978 2/
	Quantity (1,000 Gross)						
China	0	0	26	539	835	418	240
Taiwan	1	4	342	743	823	481	512
Poland	281	237	433	459	506	289	191
West Germany	355	266	451	465	306	182	150
Romania	196	345	216	383	302	151	208
The Netherlands	282	171	168	221	152	94	49
All other countries 3/	796	638	705	348	169	112	173
Total	1,911	1,661	2,341	3,158	3,098	1,727	1,523
	Value (1,000 dollars)						
China	-	-	20	276	580	290	162
Taiwan	4	4	249	560	707	430	445
Poland	185	163	413	428	513	289	184
West Germany	253	207	439	429	338	183	172
Romania	157	223	170	291	238	119	166
The Netherlands	230	168	226	250	226	112	166
All other countries	591	554	740	521	231	123	210
Total	1,420	1,324	2,257	2,755	2,833	1,546	1,505

1/ January-June 1977 figures for China were based on one-half the 1977 total, which was compiled from responses to questionnaires of the U.S. International Trade Commission.

2/ January-June 1978 figures were based on data compiled from official statistics of the U.S. Department of Commerce.

3/ Imports of wood and plastic spring clothespins included in the "all other countries" category include Hong Kong, which appears to be a major exporter of clothespins to the United States. However, there is considerable doubt as to the accuracy of the data for Hong Kong. The U.S. Customs Service is currently investigating the matter.

Source: Imports from China (1975-77) and Romania (1973-77 and January-June 1978), compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports from all other specified countries and total imports from all countries, compiled from official statistics of the U.S. Department of Commerce.

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for 58 percent of all spring clothespin imports, by 1976 the People's Republic of China and Taiwan had joined the ranks of the major suppliers, accounting for 41 percent of imports in that year. With the exception of a small decline in shipments from the Netherlands, imports from the two China's appeared to have displaced the exports of many of the minor suppliers listed in Table 2 rather than those of other major exporters.

Statistics for the first 11 months of 1978 reveal an even sharper drop in imports than was predicted on the basis of six month data. Imports for the year should total no more than 2.1 million gross units. Much of the decline is the result of sharply lower exports from China and Romania. It is believed that this reduction may be due to K-Mart's temporary drop from the import market after its massive imports in previous years.

In value terms, imports increased from $1.4 million in 1973 to $2.8 million in 1977. Imports from Taiwan and the PRC accounted for 41 percent of the dollar value of imports. Imports from the other four major producers accounted for 46 percent. Thus, the unit value of clothespins imported from the Far East was less than values in other exporting areas.

There was growth also in nonspring clothespin imports in the 1976-1977 period. Imports increased from 162,068 in 1974 to 305,117, an 88 percent increase in four years. West Germany accounted for all but 6,550 gross exports in 1977. These pins had a dutiable value of $262,000 and were largely responsible for the continued growth in total imports which occurred in 1977.

Inventories

During the period 1973-77, U.S. producers' year end inventories declined. Inventories of wood spring clothespins fell steadily from a high of one million gross in 1973 to 675,000 gross in 1977, while inventories of nonspring clothespins of wood declined irregularly from 244,000 gross to 146,000 over the same time period. These trends have continued into 1978. As inventories have declined, the ratios of inventories to shipments also declined, as shown in Table 11.

G. Price Trends

There is little or no product differentiation as far as clothespins are concerned; consequently, they are very price sensitive. The quality of a clothespin bears some relationship to the price, but because more than one brand of clothespin is seldom sold in any one store and clothespins are generally sold as impulse items, very little comparison shopping by the consumer occurs.

Table 3.—Clothespins: Ratios of inventories at period end to U.S. producers' shipments during the preceding 12-month or 6-month period, by firms, 1973-77, January-June 1977, and January-June 1978

(In percent)

Period	Spring type		Nonspring type		Total
	Of wood	Of other materials	Of wood, except ironbound	Of wood, ironbound	
1973:					
Forster	19.9	15.0	27.8	13.3	21.5
Diamond	38.6	1/	21.1	1/	38.7
Penley	14.6	18.7	15.6	1/	15.1
National	12.4	1/	1/	1/	12.4
Vermont	1/	6.1	1/	1/	6.1
Total	25.1	14.6	22.9	13.3	24.3
1974:					
Forster	18.1	28.9	25.8	31.2	20.4
Diamond	36.9	1/	14.5	1/	34.4
Penley	20.1	20.0	26.0	1/	21.1
National	11.4	1/	1/	1/	11.4
Vermont	1/	11.1	1/	1/	11.1
Total	24.9	20.3	23.8	31.2	24.6
1975:					
Forster	16.7	36.1	20.8	7.9	18.0
Diamond	43.6	1/	20.7	1/	42.8
Penley	23.5	15.2	20.0	1/	22.4
National	12.0	1/	1/	1/	14.4
Vermont	1/	11.8	1/	1/	11.8
Total	26.5	22.2	22.9	7.9	25.5
1976:					
Forster	14.4	21.6	25.7	16.7	17.5
Diamond	29.5	1/	41.0	1/	30.6
Penley	26.6	19.6	15.8	1/	24.1
National	10.5	1/	1/	1/	10.5
Vermont	1/	4.8	1/	1/	4.8
Total	22.0	17.3	25.8	16.7	22.5
1977:					
Forster	8.7	15.4	20.2	18.9	11.7
Diamond	34.6	1/	39.4	1/	34.9
Penley	25.1	17.9	15.8	1/	23.0
National	5.2	1/	1/	1/	5.2
Vermont	1/	6.3	1/	1/	6.3
Total	20.3	14.9	20.8	18.9	20.2
January-June 1977: 2/					
Forster	21.7	50.0	17.8	21.0	21.2
Diamond	38.8	1/	46.4	1/	39.4
Penley	12.2	20.8	13.3	1/	12.8
National	.8	1/	1/	1/	.8
Vermont	1/	12.5	1/	1/	12.5
Total	23.0	31.9	18.8	21.0	22.4
January-June 1978: 2/					
Forster	28.8	2.1	6.6	11.8	23.0
Diamond	31.0	1/	15.0	1/	30.4
Penley	13.2	18.2	13.0	1/	13.4
National	2.0	1/	1/	1/	2.1
Vermont	1/	25.0	1/	1/	25.0
Total	24.1	10.4	8.8	11.8	21.2

1/ Did not report shipments of own manufacture.
2/ On an annual basis.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Spring Clothespins

U.S.-made wooden spring are generally higher in price than comparable imported products sold in the U.S. market place. At the end of the first half of 1978, the differential between U.S. pins and all foreign-made pins ranged from 14 to 86 cents at the wholesale level. The differential was greatest with Chinese, Romanian, and Taiwanese clothespins. Among the American firms, Forster and Diamond have consistently had the highest priced pins, Penley's spring clothespins have generally sold below the prices of either Forster and Diamond. National's prices alone among the American clothespin producers have consistenly sold at prices competitive with U.S. imports. In April to June 1978, National's prices were comparable to those of Poland and West Germany, and approximately 59 cents below its nearest American competitor. The average weighted price of an American spring clothespin sold FOB in June 1978 was $2.06 as compared to the average weighted price of imports of $1.45.

Domestic clothespin prices rose rather sharply between 1973 when wage and price controls surpressed price increases and 1977. With the exception of National, the price increases have been quite uniform across the industry. Comparing the average price of a wooden spring clothespin sold in 1973 by each U.S. producer with the cost in 1977, we find that the three largest producers raised their prices between 56 and 62 percent over the period, while National raised its prices by 40 percent. Another round of significant price increases occurred in April-June 1978. These increases ranged from five percent in the case of Diamond to 12 percent in the case of Forster.

There is little such uniformity in foreign price increases. With the exception of Polish and West German prices which both increased 44 percent over the period, the prices of wooden spring clothespins sold by other major producers have either increased nominally, as in the case of Romanian clothespins, or declined substantially below what they were in 1973. This happened in the case of both Taiwan and the PRC, where prices fell more than 25 percent.

Wood Standard or Roundhead Clothespins

Prices of the domestic producers for their standard clothespins also increased rapidly from 1973 through 1974 as price controls were lifted. During 1973, Forster's prices of $1.03 to 1.21 per gross were the highest of all the domestic producers (Table 5). However, in 1975, Forster's prices

Table 4.--Wood spring clothespins: F.o.b. prices of U.S. producers on their largest volume sales to their U.S. customers and weighted average f.o.b. prices of imported clothespins, by quarters, January 1973-June 1978

(Per gross)

Period	U.S. producers				Representatives prices for imports					
	Forster	Diamond	Penley	National	Poland	China	Romania	Taiwan	West Germany	Sweden
1973:										
Jan.-Mar	$1.19	$1.19	$1.13	$0.94	$0.94	-	$1.13	$1.75	$0.94	-
Apr.-June	1.23	1.34	1.17	.90	.94	-	1.13	1.75	.94	-
July-Sept	1.22	1.23	1.17	.92	.99	-	1.13	1.75	.99	-
Oct.-Dec	1.29	1.24	1.23	.98	.99	-	-	1.75	.99	-
1974:										
Jan.-Mar	1.26	1.28	1.25	1.03	1.08	-	1.19	1.75	1.03	-
Apr.-June	1.50	1.46	1.41	1.08	1.08	-	1.14	1.75	1.08	-
July-Sept	1.79	1.69	1.58	1.32	1.25	-	1.19	1.75	1.25	-
Oct.-Dec	1.92	1.82	1.73	1.28	1.25	-	-	1.75	1.25	-
1975:										
Jan.-Mar	2.09	1.97	1.79	1.41	1.31	$1.70	1.36	1.65	1.31	-
Apr.-June	1.99	2.05	1.79	1.47	1.31	1.70	1.36	1.65	1.31	-
July-Sept	1.88	1.94	1.80	1.40	1.31	1.70	1.36	1.50	1.31	-
Oct.-Dec	1.89	1.89	1.79	1.31	1.31	1.70	1.30	1.61	1.31	-
1976:										
Jan.-Mar	1.86	1.86	1.77	1.35	1.31	1.56	1.27	1.40	1.31	$1.31
Apr.-June	1.84	1.94	1.76	1.32	1.31	1.56	1.26	1.39	1.31	1.31
July-Sept	1.87	1.98	1.79	1.26	1.31	1.56	1.26	1.41	1.31	1.31
Oct.-Dec	1.94	1.98	1.79	1.35	1.31	1.39	-	1.42	1.31	1.31
1977:										
Jan.-Mar	1.92	1.95	1.81	1.34	1.34	1.38	1.25	1.40	1.34	-
Apr.-June	1.97	2.04	1.82	1.38	1.34	1.35	1.25	1.39	1.34	-
July-Sept	2.01	2.06	1.91	1.32	1.44	1.30	1.25	1.31	1.44	-
Oct.-Dec	1.80	2.06	1.92	1.33	1.44	1.36	1.30	1.39	1.44	-
1978:										
Jan.-Mar	1.99	1.98	1.89	1.37	1.44	1.17	1.24	1.33	1.44	-
Apr.-June	2.15	2.13	2.02	1.43	1.44	1.54	1.74	1.29	1.44	-

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Table 5.--Wood roundhead clothespins: Prices of U.S. producers on their largest volume sales to their U.S. customers, and weighted average prices of imported clothespins, by quarters, January 1973-June 1978

(Per gross)

Period	U.S. producers				Importers of clothespins from West Germany
	Forster	Diamond	Penley	National	
1973:					
January-March	$1.03	$0.98	$0.91	$0.86	$0.71
April-June	1.06	1.05	.96	.86	.71
July-September	1.21	1.06	.98	.86	.71
October-December	1.21	1.05	1.15	.95	.71
1974:					
January-March	1.15	1.13	1.03	1.08	.81
April-June	1.48	1.46	1.32	1.17	.81
July-September	1.77	1.76	1.70	1.59	1.08
October-December	1.63	1.84	1.68	1.65	1.08
1975:					
January-March	1.53	2.37	1.68	1.60	1.20
April-June	1.51	1.89	1.70	1.59	1.20
July-September	1.38	1.52	1.39	1.59	1.20
October-December	1.55	1.54	1.72	1.66	1.20
1976:					
January-March	1.53	1.77	1.64	1.59	1.37
April-June	1.54	1.83	1.69	1.57	1.37
July-September	1.75	1.91	1.73	1.55	1.44
October-December	1.76	1.92	1.33	1.58	1.44
1977:					
January-March	1.71	1.94	1.32	1.62	1.44
April-June	1.81	1.93	1.74	1.45	1.44
July-September	1.75	1.95	1.74	1.59	1.44
October-December	1.75	1.92	1.76	1.59	1.68
1978:					
January-March	1.72	1.92	1.42	1.58	1.68
April-June	1.86	1.96	1.81	1.63	1.68

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Prices given for U.S. producers are delivered prices, prices given for imports are the importers' f.o.b. prices.

were exceeded by Diamond's and Penley's. In 1976, Forster's and Diamond's prices increased, while Penley's and National's prices decreased, and Diamond's prices were the highest in our industry. Except for Penley, domestic prices remained basically stable in 1977, although they seemed to be falling in early 1978. However, as in the case of wood spring clothespins, all of the domestic producers raised their prices to record levels in April-June 1978.

National buys all of its standard clothespins from Forster at 20 percent below the freely offered sales price and then resells them. This should make National's prices higher than Forster's, but the reverse is true. National takes little or no profit on these sales.

Virtually all imports of standard clothespins originate in West Germany. The prices for the West German product rose steadily from 71 cents per gross in 1973 to $1.68 per gross in early 1978. In comparison, the prices of the domestic counterparts also rose during the same period, but the gap between the German and domestic prices narrowed significantly. In October-December 1977 and January-March 1978, prices for the German roundhead clothespins surpassed those of Penley and National. The upward revaluation of the German mark may be the main reason for the increasing German prices.

<u>Prices of Plastic Spring Clothespins</u>

Prices for domestically produced plastic spring clothespins are set forth in Table 6. Both Forster's and Penley's prices are competitive, but Vermont Plastic's prices are substantially higher. Vermont's January-March 1978 price was almost $2 more per gross than those of Forster and Penley. This may be the reason for Vermont's decision to leave the clothespin market. Prices for imported clothespins from the Netherlands were higher than those of the domestic products of Forster or Penley in 1973, but remained stable through the rest of the period, while Penley's and Forster's prices were rising. Italian plastic clothespins were imported in large quantities in 1973 by Action Industries, which sold them from inventory beginning in 1973 through 1977, at a constant price of $1.68 per gross, which is well below all other domestic and imported prices.

H. <u>Apparent U.S. Consumption</u>

Between 1962 and 1974 clothespins showed a steady decline in apparent consumption from about 10.5 million to less than 7 million gross. In the period 1976-78, there was a small recovery of about .5 million gross to 1973 levels.

Table 6 .--Plastic spring clothespins: Prices of U.S. producers on their largest volume sales to their U.S. customers, and weighted average prices of imported clothespins, by quarters, January 1973-June 1978

(Per gross)

Period	U.S. producers			Representative weighted overall prices of imports	
	Forster	Penley	Vermont	The Netherlands	Italy
1973:					
January-March-----	$1.77	$1.78	$2.30	$2.16	$1.68
April-June---------	1.50	1.78	2.30	1.51	1.68
July-September----	1.69	1.79	2.30	2.14	1.68
October-December--	2.03	1.83	3.15	2.23	1.68
1974:					
January-March-----	2.58	1.96	3.15	2.19	1.68
April-June---------	2.91	2.28	3.75	2.15	1.68
July-September----	2.84	2.33	4.05	2.17	1.68
October-December--	3.13	2.50	4.05	2.22	1.68
1975:					
January-March-----	3.16	2.63	4.05	2.15	1.68
April-June---------	3.03	2.63	4.05	2.08	1.68
July-September----	2.78	2.60	4.05	2.12	1.68
October-December--	2.82	2.64	4.45	2.23	1.68
1976:					
January-March-----	2.23	2.64	4.45	2.24	1.68
April-June---------	2.72	2.62	4.45	2.12	1.68
July-September----	2.69	2.90	4.75	2.19	1.68
October-December--	2.62	2.94	4.75	2.41	1.68
1977:					
January-March-----	2.74	2.95	4.75	2.26	1.68
April-June---------	2.83	2.93	4.75	2.09	1.68
July-September----	2.80	3.05	4.75	2.24	1.68
October-December--	2.81	3.05	4.98	2.42	1.68
1978:					
January-March-----	2.84	3.05	4.98	2.18	-
April-June---------	2.95	3.01	4.98	2.14	-

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Prices given for U.S. producers are delivered prices, prices given for imports are the importers' f.o.b. prices.

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As the graph on the next page shows, most of the decline has come at the expense of the standard pin which has shown a steady drop in apparent consumption since 1955. Only in the years since 1975 has apparent consumption stabilized at the 1.1 million gross level.

Consumption of the spring clothespin climbed sporadically to a peak in 1965 of slightly less than eight million gross, thereafter declining steadily to about 5.6 million gross in 1974. The period 1976-78 witnessed a small recovery in the consumption of spring clothespins, to about 6.5 million gross, approximately the 1972 level.

It is difficult to account for the recent trends in apparent consumption. Contrary to what one would have expected, consumption did not increase following the energy crisis, nor during the recession in late 1974 and 1975. Perhaps the continued decline in 1975 can be explained by the fact that the group most likely to use clothespins (lower - income purchasers) were most hurt by the recession and, therefore, least able to buy replacements.

As for an explanation of the recent consumption increase, it is known that one substantial domestic importer, K Mart, made purchases of clothespins in the Far East during the 1975 - 1977 period which accounted for approximately 20 percent of total U.S. imports of spring clothespins, apparently with the intention of warehousing the pins for future consumption. These purchases can at least partially account for the jump in apparent domestic consumption of spring clothespins during this time period.

I. Employment

The average number of all persons employed by the five domestic producers of clothespins declined irregularly from 731 employees in 1973 to 627 employees in 1975 (Table), then increased in the 1976 to June 1978 period. In 1977, employment was only 2.5 percent less than in 1973. By June 1978, employment was 12.2 percent above that in 1973. There was a similar trend in the number of workers engaged solely in the manufacture of clothespins--from 429 in 1973 to 370 in 1975. However, this downward trend was reversed in 1976, and by June 1978 the number of employees engaged solely in the manufacture of clothespins had increased to 444, which was 11.3 percent higher than the 1973 level. The large increase in employment in 1978, is due to Forster's manufacture and marketing of its small wood spring clothespins. If the Forster experiment is unsuccessful, employment may decline to earlier levels.

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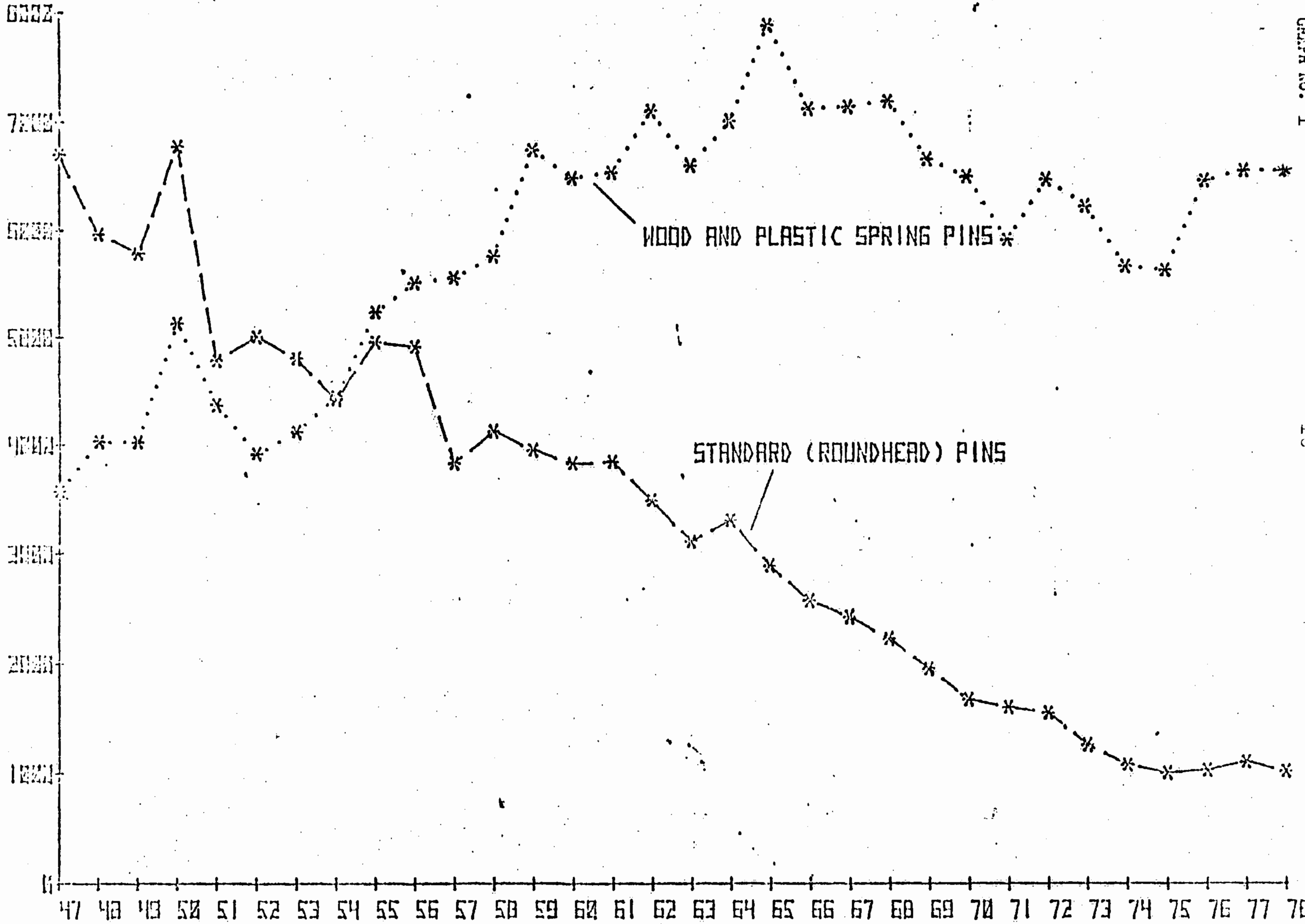
CLOTHESPINS: APPARENT CONSUMPTION, 1947 TO 1978 (EST.)



GRAPH NO. 1

Table 7.--Average number of employees in U.S. establishments 1/ producing clothespins, and total number of production and related workers engaged in the manufacture of all products and of clothespins, 1973-77, January-June 1977, and January-June 1978

Item	1973	1974	1975	1976	1977	Jan.-June--	
						1977	1978
All persons	731	725	627	639	713	719	807
Production and related workers engaged in the manufacture of--							
All products of the establishments	659	657	561	576	653	665	751
Clothespins	429	422	370	382	387	399	444

1/ Includes all 5 domestic producers of clothespins.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 8.--Person-hours worked in establishments 1/ producing clothespins, 1973-77, January-June 1977, and January-June 1978

(In thousands of person-hours)

Item	1973	1974	1975	1976	1977	Jan.-June--	
						1977	1978
Person-hours worked by production and related workers engaged in the production of--							
All products of the establishment	1,338	1,445	1,199	1,086	1,257	690	753
Clothespins	820	811	690	702	728	402	447

1/ Does not include Vermont Plastics. Vermont Plastics accounted for less than 0.5 percent of U.S. production of clothespins during the period 1973-77.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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The total number of person-hours worked by production and related workers in the production of clothespins paralleled the trend in employment (Table 13). Total person-hours worked in the production of clothespins declined from a high of 820,000 hours in 1973 to a low of 690,000 hours in 1975, reaching 728,000 hours in 1977, which is still below 1973 and 1974 levels. Again, Forster's introduction of its small clothespin increased the January-June 1978 figures substantially (by nine percent).

J. Capacity and Capacity Utilization

Production capacity of all clothespins increased 11 percent between 1973 and 1974, the result of Forster conversion from older production techniques to a more efficient machine process. After that production capacity held constant until 1977 when a small decline occurred as Diamond phased out its standard clothespin production.

Production capacity of wooden spring clothespins accounted for 61 percent of all clothespin capacity in 1973, and by 1977, 66 percent. Standard clothespins amounted to all but four percent of remaining domestic capacity in 1977. Among the various firms, wooden spring clothespins accounted for between 100 percent of total plant clothespin capacity in the case of National, 57 percent in the case of Penley, and 82.3 percent in the case of Diamond. Among U.S. firms, nonspring clothespins accounted for 31 percent of total capacity in 1977 at a time when such pins only represented 14 percent of total apparent consumption. Total capacity utilization figures are, therefore, biased by the fact that so much of domestic capacity utilization is unusable.

As regards capacity utilization rates for wooden spring clothespins, the overall industry average declined from 73 percent in 1973 to 99 percent by 1975. By 1977, the industry average had only expanded to 54 percent. This general trend masks considerable variation in the capacity utilization rates of the various firms as the table on the next page shows.

The remaining two companies--Penley and National--also experienced a decline in capacity utilization rates in 1975. Of the two, only National has recovered adequate operating capacity rates.

Table 9--Clothespins: U.S. production, production capacity, and capacity utilization, by firms, 1973-77, January-June 1977, and January-June 1978

Period	U.S. production: Spring type: Of wood	U.S. production: Spring type: Of other mate-rails	U.S. production: Nonspring type: Of wood, except iron-bound	U.S. production: Nonspring type: Of wood, iron-bound	U.S. production: Total	Capacity 1/: Spring type: Of wood	Capacity 1/: Spring type: Of other mate-rails	Capacity 1/: Nonspring type: Of wood, except iron-bound	Capacity 1/: Nonspring type: Of wood, iron-bound	Capacity 1/: Total	Capacity utilization: Spring type: Of wood	Capacity utilization: Spring type: Of other mate-rials	Capacity utilization: Nonspring type: Of wood, except iron-bound	Capacity utilization: Nonspring type: Of wood, iron-bound	Capacity utilization: Total
	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	1,000 gross	Percent	Percent	Percent	Percent	Percent
1973:															
Forster	1,634	56	514	28	2,232	1,571	49	1,061	105	2,786	104	114	48	27	80
Diamond	1,496	0	178	0	1,674	1,175	0	480	0	1,655	127	-	37	-	101
Penley	867	63	255	0	1,185	1,350	100	906	0	2,356	64	63	28	-	50
National	192	0	0	0	192	375	0	0	0	375	51	-	-	-	51
Vermont	0	34	0	0	34	0	149	0	0	149	-	22	-	-	23
Total	4,189	153	947	28	5,317	4,471	298	2,447	105	7,321	94	51	39	27	73
1974:															
Forster	1,499	49	510	39	2,097	2,357	73	1,061	105	3,596	64	67	48	37	58
Diamond	1,269	0	130	0	1,399	1,175	0	480	0	1,655	108	-	27	-	85
Penley	874	58	221	0	1,153	1,350	100	906	0	2,356	65	58	24	-	49
National	133	0	0	0	133	375	0	0	0	375	35	-	-	-	35
Vermont	0	19	0	0	19	0	149	0	0	149	-	13	-	-	13
Total	3,775	126	861	39	4,801	5,257	322	2,447	105	8,131	72	39	35	37	59
1975:															
Forster	1,300	36	483	30	1,849	2,357	73	1,061	105	3,596	55	49	46	29	51
Diamond	923	0	136	0	1,059	1,175	0	480	0	1,655	79	-	28	-	64
Penley	656	43	157	0	856	1,350	100	906	0	2,356	49	43	17	-	36
National	177	0	0	0	177	375	0	0	0	375	47	-	-	-	47
Vermont	0	18	0	0	18	0	149	0	0	149	-	12	-	-	12
Total	3,056	97	776	30	3,959	5,257	322	2,447	105	8,131	58	30	32	29	49
1976:															
Forster	1,196	32	466	46	1,740	2,357	73	1,061	105	3,596	51	44	44	44	48
Diamond	1,075	0	123	0	1,198	1,175	0	480	0	1,655	91	-	26	-	72
Penley	729	47	178	0	954	1,350	100	906	0	2,356	54	47	20	-	41
National	192	0	0	0	192	375	0	0	0	375	51	-	-	-	51
Vermont	0	22	0	0	22	0	100	0	0	100	-	22	-	-	22
Total	3,192	101	767	46	4,106	5,257	273	2,447	105	8,082	61	37	31	44	51
1977:															
Forster	1,502	37	377	38	1,954	2,378	73	1,061	105	3,617	63	51	36	36	54
Diamond	1,118	0	42	0	1,160	1,175	0	400	0	1,575	95	-	9	-	74
Penley	705	38	191	0	934	1,350	100	906	0	2,356	52	38	21	-	40
National	261	0	0	0	261	375	0	0	0	375	70	-	-	-	70
Vermont	0	17	0	0	17	0	75	0	0	75	-	23	-	-	23
Total	3,586	92	610	38	4,326	5,278	248	2,367	105	7,998	68	37	25	36	54

1/ Capacity data are based on 2 shifts a day, 5 days a week.
2/ In January-June 1978 Forster's capacity for wood spring clothespin production was a combination of 384,000 gross for its small wood spring othespins and 868,500 gross for its regular spring clothespins.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trad[illegible]

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K. Profitability

In 1973, all domestic clothespin producers experienced a net operating loss, the result of price controls imposed in that year. Over the subsequent four years, the aggregate industry experience has been a period of low profitability in clothespin operations, however, the general trend masks quite different patterns among the various companies.

L. Financial Performance of U.S. Producers

The clothespin industry presents a picture of varied levels of financial performance. Since Forster is the largest clothespin manufacturer in the United States, its performance substantially influences the entire industry. The decline in net sales since 1975 may account in part for the industry's relatively modest performance overall.

Forster experienced a net operating profit for its clothespin operations of $284,000 in 1975, but a net operating loss of $10,000 in 1976. Forster has reported that the net operating loss was primarily due to a six week labor strike at the Wilton, Maine plant. The strike also caused the closing of the Mattawamkeg, Maine plant for most of the six week period. The resulting loss was approximately $29,000. In 1976, Forster's manufacturing, sales, and administrative costs were the highest of any year in the period examined, and its sales declined slightly to $4.7 million from a high of almost $4.8 million in 1975. In 1977, Forster cut its expenses significantly, by reducing freight and warehous costs by $138,000. Although sales continued to drop in 1977 (to $4.6 million), successful expense control allowed Forster to have a net operating profit of $145,000 in 1977. In the 1978 fiscal year, Forster's introduction of the new small spring clothespin has been blamed for a $622,000 net loss; all operations of Forster's reporting establishments, however, showed an operating loss of almost $1 million in fiscal year 1978.

Diamond International is the only clothespin producer to be part of a major and diversified U.S. corporation. It is also the only company of the four to experience net operating losses on its clothespin operations in four of five years from 1973 to 1977. These losses occurred primarily in the company's production of roundhead clothespins, a product line which Diamond dropped in 1977. There are other factors which explain Diamond's relatively poor performance.

Diamond's net sales in 1977 were only $159,000 higher than in 1973, which is less than the increase of any of the other firms, including the significantly smaller National Clothespin Co. Its "other factory costs" as a share of sales were significantly higher than the average for the industry, ranging from a low of almost 30 percent in 1975 to a high of approximately 43 percent in 1973 (Table 9). Diamond's higher "other factory costs" may be due to allocation procedures which do not correspond to those of the other clothespin manufacturers. The other firms in the industry generally reported "other factory costs" at far less than 30 percent of their sales during 1973-77. Diamond's raw material costs were also above the industry average for the entire period, except 1976. Thus, Diamond presents a picture of rather flat sales, relatively high manufacturing expenses, and, in addition, has had little success in controlling its inventory.

Penley Corp., the third largest manufacturer of clothespins in the country, seems to be operating on the edge between profit and loss, having experienced losses in two of the five years under consideration. This may be due, in part, to a decrease in shipments of 268,000 gross from 1973 to 1977. In addition, its ratio of net operating profit before taxes to sales reached a high of only 1.5 percent in 1976. Like those of Forster, Penley's administrative and selling expenses are higher than the industry average, but its other factory costs, which have ranged between 19.54 and 19.92 percent of sales since 1975, are significantly lower than the industry average, which increased substantially in the same period.

While most of the clothespin industry experienced a signficant profit in 1975, Penley experienced a net operating profit of only $7,581 or 0.48 percent of sales. This was attributable to a sizeable increase in its loss on uncollected accounts receivable due to the bankruptcy of the W. T. Grant Co., and the loss of several large accounts to imports, such as the account of Zayre Corp., Boston, Mass. If the company had not experienced the W. T. Grant loss, its net operating profit would have been $38,000 to $40,000 higher in 1975.

In addition, Penley reorganized in 1977, and, although the reorganization did not seem to affect its profit on clothespins, it did change the firm's financial structure. In January 1977, the company transferred its wood business assets to Penley Timberlands, Inc. In return, it received stock in the latter corporation and distributed it to Penley's stockholders. Penley also redeemed the share of two of its shareholders in exchange for a $156,315 note. This transaction altered the company's debt-equity ratio from 0.42 in 1976 to 2.21 in 1977, the highest of the four companies.

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Table 9.--Other factory costs for CVPA companies, total and as a share of net sales, 1973-77, January-June 1977, and January-June 1978

Period	Forster		Diamond		Penley		National	
	Other factory costs	Percent of net sales	Other factory costs	Percent of net sales	Other factory costs	Percent of net sales	Other factory costs	Percent of net sales
1973	$708,268	28.6	$884,339	43.0	$273,589	19.7	$41,425	29.7
1974	864,604	26.9	878,530	37.8	321,441	20.0	45,720	18.8
1975	835,163	23.9	621,684	29.9	341,088	21.4	57,493	19.6
1976	1,049,127	31.3	862,717	36.2	355,919	21.4	61,692	20.4
1977	1,180,713	36.4	922,624	41.6	382,585	21.6	55,850	12.3
January-June--								
1977	602,838	33.3	472,789	43.9	196,327	18.5	1/	1/
1978	810,335	37.2	403,518	37.1	207,771	19.5	1/	1/

1/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

National, on the other hand, is a very small but consistently growing company. Its sales and profit were the only ones to increase in each year over the five year period. The company's sales more than doubled after 1973, rising to a high of $455,433 for fiscal 1977. Its ratio of net operating profit before taxes to sales for the same period, was 6.2 percent, compared with the industry weighted average profit of 0.61 percent. In fact (except for 1973) during 1973-77, its profit ratio was always greater than that of the industry (the slight dip in performance in 1975 was due to a bonus for the officers). National's good performance is due largely to its lower-than-average overhead expenses and its extremely low administrative and selling costs and inventory levels resulting from its near captive clothespin production. All of these factors allow National to sell its clothespins at prices that are competitive with those of the imported product (Table 20). National's 1977 and 1978 prices were approximately 50 to 70 cents per gross below those of the other domestic producers.

M. <u>U.S. Importers</u>

Approximately 150 firms currently import clothespins. A number of large importers are general housewares importers; clothespins account for only a very small part of their operations. A few discount department store chains such as K-Mart Corp., Troy, Mich., F. W. Woolworth Co., New York, N.Y., and Franklin Stores Corp., Bronx, N.Y., have become importers of the product. However, Woolworth has informed the Commission that it has ceased importing clothespins and will purchase all of its future clothespin requirements from a domestic producer. Many of the other importers are primarily small entrepreneurs, usually having only a few employees. In most cases, importers switch their import sourcing from country to country in order to secure the lowest prices. They also import clothespins from several countries in order to assure themselves a steady supply of the product.

N. <u>Efforts of U.S. Producers to Compete with Imports</u>

Forster appears to be the only U.S. producer to have made significant attempts to modernize over the past five years. In the period 1973-1974, its production techniques were changed to improve efficiency and in the process, capacity was expanded. Then, during the 1976-1977 period Forster invested $800,000 to begin producing the "down sized clothespin" to better compete with imports.

In addition to Forster's efforts, Penley is reducing the size of its pin and spring wire used, in an attempt to reduce its prices.

(1) Adjustment Assistance for Workers

Since April 3, 1975, the effective date of the new adjustment assistance program, the Department of Labor has received no petitions for certification of eligibility for adjustment assistance from workers engaged in the production of clothespins.

There are five plants producing clothespins in the United States. Three are located in Maine and two are located in Vermont. One of the plants in Vermont, Vermont Plastics, produces plastic clothespins and has already indicated it plans to phase out production.

Employment of production and related workers producing clothespins has fluctuated irregularly since 1973 (see table 7). The number of production workers producing clothespins declined in 1974 and 1975. Since 1976, however, the employment trend shifted. Employment has increased slightly in each of the following years. By June 1978, production and related workers totaled 444, a three percent increase over 1973's employment peak of 429 workers, and an 11.3 percent increase over the previous period in 1977. The increase in employment, however, cannot be attributed to demand induced increased production; rather it was directly related to the introduction of the downsized clothespins by Forster, intended to compete with imports. The production of the downsized clothespins required new tooling which resulted in a need for more workers. The future employment situation within Forster remains dependent upon the success of the downsized period.

The person-hours worked by clothespins production workers fluctuated during the period 1973-1977, but declined by 11.2 percent for 1977 compared to 1973. Person-hours worked by clothespins production workers increased by 11.2 percent for the first half of 1978 compared to the first half of 1977. The increase can also be attributed to the introduction into production of the new small line clothespins.

Prospects for Present and Potentially Separated Workers

Reemployment prospects for separated clothespins workers are mostly fair. Two of the four areas with clothespin plants had an unemployment rate of 5.0 percent unadjusted, or lower, for October 1978. The unemployment rates for these two areas are below the national unemployment rate of 5.7 percent unadjusted for October 1978. All of the plants are located in rural communities which normally offer limited employment alternatives.

Specifically, Forster Manufacturing Co., the largest domestic producer of clothespins, has one plant in Franklin County, Maine and one in Penobscot County, Maine. The county unemployment rates for October were 4.2 percent unadjusted and 5.3 percent unadjusted respectively, compared to the national unemployment rate of 5.7 percent unadjusted,

Without relief, either Diamond International or Penley will probably stop production of clothespins. Both Diamond and Penley have plants in Oxford County Maine which had an unemployment rate of 5.3 percent unadjusted for October 1978. While the low local unemployment rate indicates fair reemployment prospects, closing down one of the plants could have serious consequences for the local community involved.

The smallest domestic producer, National, remains in a relatively strong competitive position and is not expected to have any employment problems.

Overall, depending on trends in domestic production, some reduction of the work force by the individual firms in the next 12 months is possible; however, the trend for aggregate industry employment will depend largely on the possible success of Forster in its attempt to compete with low priced imports.

Table 10

Labor Force and Unemployment Rates for Areas with Clothespins Plants, October 1978

Firm	State and Area	Area Civilian Labor Force	Area Unadjusted Unemployment Rate
	Maine		
Forster Manufacturing Co.	Franklin County	12,230	4.2
Diamond International Corp. and Penley Corp.	Oxford County	18,911	5.3
Forster Manufacturing Co.	Penobscot County	60,733	5.3
	Vermont		
National Clothespin Co. and Vermont Plastics, Inc.	Washington County	26,333	3.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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(2) Probable Effectiveness of Import Relief as a Means to Promote Industry Adjustment

Section 201(a)(1) of the Trade Act of 1974 provides that an industry, firm, or group of workers representative of an industry may apply for import relief"... for the purpose of facilitating orderly adjustment to import competition ..." It is intended by the Congress that temporary import relief be provided in circumstances where such relief would assist an industry to adjust to changed competitive conditions and would result in that industry remaining competitive after relief was terminated. This purpose is further supported by the provisions of section (203)(h)(2) of the Act which set forth that relief be phased down during the course of the adjustment period to the extent feasible.

Accordingly, import relief should in the first place serve to place effective restraints on import competition in order to alleviate the downward pressures on domestic prices and sales volume. Whatever form relief may take, it should be designed to afford the domestic industry adequate protection while nonetheless incurring no greater domestic costs than are consistent with the national economic interests. In the case of clothespins, a relief measure must limit total imports while dealing with the problem of price suppression.

Effective Restraints on Import Competition

In the first instance, the effectiveness of various forms of import relief for the clothespin industry is essentially an examination of the ability of various forms of relief to limit imports and to increase import prices so as to allow the domestic clothespin industry to increase volume and capacity utilization leading to lower average units costs and improved competitiveness in the market place.

Common to this analysis of the effectiveness of the various potential forms of relief is the assumption that once the prices of the imported and domestic products achieve near equality, other factors, such as the ability of U.S. producers to better serve their customers and the quality of their product, will encourage U.S. merchandisers to purchase the domestic product.

We believe that in the present case importers will not attempt to absorb increased costs. Many importers appear to use clothespins as a loss leader or as a "throw in" in order to sweeten or make a sale. If increased costs occur, these importers can be expected to shift to another product to perform these functions. The remaining importers, who generally expect a profit from clothespin sales, will probably attempt to maintain their profit margins by raising prices to the extent permitted by consumer acceptance. A universal problem with any form of relief is the possibility of circumvention by fraud which could result in strengthened foreign suppliers following termination of relief.

Value-bracketed Quota

Among the various relief options available, a value-bracketed quota, similar to the remedy recommended by the USITC, would be the most effective means of limiting imports and raising import prices. This form of remedy not only limits total imports but also limits the amount of the lowest priced imports thus most effectively forcing import prices to increase toward the level of domestic prices.

For example, the practical effect of the USITC recommendation would be to limit imports priced below $1.70 per gross to a restrictive level of 1.2 million gross. Consequently, under the USITC's recommendation, this would force all imports in excess of 1.2 million gross to enter above $1.70, which translated at the wholesale level to a price which is equal to or substantially above the U.S. producers' prices.

If we assume that at near equal prices U.S. purchasers will shift to U.S. suppliers, due to better service and better quality merchandise, U.S. producers should be able to increase production by the amount of sales lost by imports above. On the basis of 1977 data, such an increase would bring total U.S. production up to about 5.3 million clothespins or about 97.6 percent of 1977 capacity compared to the 67 percent capacity utilization (based on two shifts a day) actually realized in 1977. Production at this level should enable U.S. producers to make a more than adequate return on sales.

Quotas

The effectiveness of any quota depends on the size of the market share returned to the domestic producers. The following table illustrates the various representative periods available for any potential quota based solely on quantity.

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Average Imports of Wood and Plastic Spring Clothespins for Selected Periods

Period	Quantity Imported (1,000 gross)
1973 - 1975	1,971
1973 - 1978	2,535
1973 - 1977	2,434
1974 - 1976	2,387
1974 - 1977	2,565

As can be seen from this table the lowest import level in terms of quantity occurred during the 1973-1975 period when 2.0 million gross were imported. Using 1977 consumption levels, a quota set at this amount would allocate 4.5 million gross (84 percent capacity utilization) to U.S. producers.

Obviously, therefore, a straight quota would not be as effective as the USITC value-based quota in restricting low - priced imports. Also, while establishment of an overall quota would effect prices, a value-based quota would limit the movement to lower cost suppliers as importers attempt to preserve profits on reduced volume. Nevertheless the quota would restrict the level of imports and should provide the U.S. industry an opportunity to increase sales volume.

It should be noted that an overall quota based on quantity would be more effective than a quota based on value. Under the latter, there would be additional incentive for importers to switch to lowest cost supplier. Thus, the price effect of relief would be less and the longer term prospects for the U.S. industry dimmer.

Tariff Increase/Tariff Rate Quota

These two forms of relief would be the least effective because the fifty percentage point limit on tariff increases imposed by section 203 (d)(1) of the Trade Act means that any form of tariff relief does not allow a tariff increase of sufficient size to limit imports from the lowest cost foreign suppliers, while having its greatest impact on the higher priced imports which have been losing import market share. In other words, these forms of relief would have a directly opposite effect than that necessary to relieve the serious injury being experienced by the U.S. clothespin industry. Of all the forms of relief, these two would create the greatest incentive for importers to shift to the lowest cost foreign suppliers with the concomitant erosion of the effectiveness of relief. Consequently it is doubtful that either tariff relief or a tariff rate quota would provide effective relief for the U.S. clothespin industry.

Ability of U.S. Producers to Adjust

As stated earlier, a primary purpose of import relief is to allow the domestic industry to adjust to import competition, with the result that the domestic industry remains competitive following termination of relief. The U.S. clothespin industry believes that the remedy recommended by the Commission will allow them necessary funds to carry out needed equipment modifications and incur the expense of downsizing. They assert that these steps will be made if relief enables them to increase their capacity utilization, thus reducing average unit costs and increasing profits. The combination of new techniques and lower average costs should enable them to rebuild customer relationships and compete following termination of relief.

The initial effect of effective import relief will be psychological. It will provide domestic producers an assured segment of the market which will encourage them to modernize equipment and reduce their debt. In addition, this assured market will encourage creditors to extend investment capital to those U.S. producers which need it.

The logic however may only apply to two of the four U.S. clothespin producers. Of the other two, National has long-term contracts with two major retailers, antiquated machinery and no sales force. Consequently although import relief would provide them with the opportunity to increase sales, they probably will not attempt to do so. The other firm which will be unlikely to use the relief period to any advantage is Diamond which is part of a conglomerate which has not so far demonstrated any attempt to adjust to the present import competition. Our information indicates that the parent company would close the operation before it would incur the expenses of modernization.

Import assistance can be expected to help Forster which has downsized part of its product line very recently and could use a relief period to implement other measures to achieve a 23 percent reduction in costs. In addition, Penley has stated relief will encourage them to invest the approximately $250,000 necessary to carry out equipment modifications. This would enable them to reduce marginal costs and become more competitive. Both Forster and Penley have submitted detailed adjustment plans to the TPSC.

These efforts combined with aggressive salesmanship may work. However, if imports are still able to enter at prices which are significantly lower than those of the U.S. producers follow termination of relief, it is doubtful whether relief will have improved the long-term competitive position of the U.S. industry.

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(3) Adjustment Assistance for Firms

The President has the authority to recommend expedited adjustment assistance in lieu of, or in addition to, import relief. The firms in the industry may also apply on their own for adjustment assistance under the provisions of Title II, Chapter 3, of the Trade Act of 1974.

To be certified eligible to apply for adjustment assistance under the Trade Act, a firm must demonstrate that increased imports of articles "like or directly competitive with" those produced by the firm are an important cause of decreases in its sales or production, and of actual or threatened unemployment or underemployment of a significant portion of the firms' workers. An affirmative relief finding indicates that this criteria has been met.

Trade adjustment assistance for firms is designed to aid import impacted U.S. firms through the use of loans, loan guarantees and technical assistance.

To date no domestic firms in the clothespin industry have submitted petitions to the Department of Commerce for certification of eligibility to apply for trade adjustment assistance. It is likely that only one or two of the five firms producing clothespins might be eligible to apply for adjustment assistance based on recent sales records.

(4) The Effect of Import Relief on Consumers

The remedy recommended by the USITC restricts to .6 million imports of wood or plastic spring clothespins valued at less than $1.35. In 1977 such imports totaled 2.9 million, or 94 percent of all spring clothespin imports. Thus, although the quota is very generous for higher priced clothespins, it is extremely restrictive in the price range at which clothespins are normally imported.

The best method of estimating the price impact of this remedy is to compare the actual cost of 1977 imports with the cost of same imports under the USITC recommended imports quota. Assuming that the entire quota is filled and that exporters only raise prices the minimum amount necessary to qualify for each price category (i.e. imports in the over $1.35 - $1.70 category will enter at $1.36), it would cost an additional $1.6 million to purchase the 1977 volume of imports under the quota, a price increase of 58 percent.

Under the following assumptions, this figure would represent the increased cost to consumers: (1) the demand for imported clothespins is inelastic and will not change as a result of quota-induced price increase; (2) importers and retailers will fully pass through increased costs to consumers, but will not mark-up the increases; and (3) domestic manufacturers will not increase prices during the relief period.

The assumption that the demand for imported clothespins would remain the same given a price increase of this magnitude is highly questionable. In 1977 approximately two million wood and plastic spring clothespins with an average value of 99 cents were imported. Assuming that the three lowest price categories (1.2 million gross) are filled by imports which previously entered valued at under 80 cents (.93 gross million in 1977), the price of these $.99 clothespins would have to be $1.71 under the quota, an increase of 73 percent.

If this increase is passed to the retailer, assuming the importer does not absorb any of the increase, a clothespin which formerly cost the retailer approximately $1.54 would cost the retailer $2.26 under the quota. This, however, was also the weighted average delivered price of domestic wood and plastic spring clothespins for the first half of 1978 (based on largest volume sales to U.S. customers). Thus, in the absence of domestic price increases, the price differential between domestic and imported clothespins would be eliminated. Thus, it does not seem unreasonable to assume that imports will fall to 1.2 million gross.

Assuming that producers raise their price one percent for every one percent increase in output, the cost to consumers would be $3.2 million. Under the alternative proposal, this would be reduced to $1.1 million. Should retailers mark-up these increased costs, the cost to consumers could be considerably higher.

The cost to consumers could be considerably lower, however, if the first and third assumptions above are maintained, but the assumption concerning pass through is modified so that retailers and importers are assumed to absorb all or part of the cost increase.

This modification may be justified because there appears to be a considerably higher mark-up on imported clothespins than on domestic clothespins at the retailed level. However, due to the nature of the clothespin market, it is unlikely that retailers will absorb this increase. In most instances a retailer carries only one brand of clothespin, making comparison shopping difficult. Additionally, the absolute amounts are small and because clothespins are an impulse item, infrequently purchased, consumers could easily be unaware of any price increase. It therefore seems plausible that the cost increase will be fully passed through to consumers because there is little incentive for retailers to absorb it.

Consumers could also turn to non-spring clothespins and offset the higher price of spring-clothespins as a result of import relief. However, this is unlikely as demand for non-spring clothespins has consistently been only 16 percent of the demand for spring clothespins.

(5) <u>The Effect of Import Relief on the International Economic Interests of the United States</u>

The effect on U.S. international economic interests of granting relief to the domestic clothespin industry must be examined in the context of the effects on our overall trade policy, our relations with the foreign countries and our relations with the major exporters, The Peoples' Republic of China and Taiwan.

The nature of clothespin manufacturing in foreign countries is particularly labor intensive and has been often described as a modern "cottage industry" and is particularly suited to developing economies. Therefore, import relief could be perceived, especially in the third world, as an indication of our lack of a serious intention to help developing countries put more people to work and strengthen their economies. This would be particularly unfortunate at this time as trade will be a major issue at UNCTAD V.

At this sensitive juncture in U.S.-Chinese relations, it is the policy of the U.S. to increase trade with China and maintain commercial (as well as cultural) contacts with Taiwan. An action to protect a minor, non-strategic industry may have a symbolic significance far beyond the small value of the trade involved.

(6) The Impact on United States Industries and Firms as a Consequence of Any Possible Modification of Duties or Other Import Restrictions Which May Result from International Obligations with Respect to Compensation

Neither China or Taiwan (which together accounted for 57 percent by quantity of 1977 imports) are members of the GATT and therefore they could not retaliate against U.S. imports under GATT Article XIX:3(a). Most other major clothespin exporters are GATT members and would be entitled, under Article XIX, to retaliate. However, the loss of trade they are likely to suffer through import restrictions would be small since the total trade of GATT members was less than $1.5 million in 1977.

(7) Geographic Concentration of Imported Products Marketed in the United States

Clothespins are more likely to be used in temperate climatic zones and among low income members of the population.

(8) The Extent to Which the United States Market Is the Focal Point for Exports

There is no information indicating that foreign trade restraints have diverted wood and plastic spring clothespins to the United States market.

(9) Economic and Social Costs

Should the USITC proposed quota not be granted, it is possible that over the next year and a half there will be significant employment problems within some segments of the domestic clothespin industry. While overall industry employment has increased in the last few years most of the increase can be attributed to the introduction of downsized clothespins by Forster. Without import relief there is some question whether Diamond and Penley will continue production of clothespins. Should either firm cease production, this would represent serious difficulties for the communities involved.

Clothespin firms, especially Penley, are in small, isolated communities, where the plants are major employers and where few other jobs are available. Penley is located in West Paris, Maine, a town of only 1,200 permanent residents. The Penley plant is the town's only manufacturing facility. Closure of the plant would result in the immediate loss of nearly 100 jobs. The overall welfare costs that would arise as a result of Penley's closing would be extremely large in relation to the community. Should Diamond stop production, over 85 workers would lose their jobs.

Although the number of plants and persons involved are small, without import relief, some additional unseen costs might be borne by taxpayers. First, government tax revenues would be spent to compensate unemployed workers. Second, federal, state and local governments would lose tax revenue both from the manufacturers who operate at a loss or at depressed profit levels, and from their employees who become unemployed or underemployed.

Should the proposed USITC quota be granted, it is estimated that the maximum increase in employment would total 169 workers, a 44 percent increase over the 1977 employment figure of 387 workers. Total earnings of all workers in the clothespin industry for the first full year of the ITC quota would increase by a maximum of $810,000. The estimated overall costs per job would be $19,491.

Should a modified version of the USITC quota be granted, it is estimated that the maximum increase in employment would total 298 workers, a 25 percent increase over the 1977 employment figure of 387 workers. Total earnings of all workers in the clothespin industry for the first full year of the modified quota would increase by a maximum of $481,000. The estimated costs per job would be $10,878.

Option A - Proclaim the imposition of the USITC recommended five year worldwide quota in the amount of 3.2 million gross.

PROS This option:

1. as the recommendation of the Commission, would preclude a Congressional override.

2. would be the most effective means of restricting the level of imports over the five year period and of providing assistance to domestic producers.

3. would reverse the pattern of price suppression and would force the average price of imported pins sharply higher, allowing domestic pins to better compete.

4. would allow higher priced foreign pins to compete more successfully against Asian exports.

5. would not freeze current supply patterns.

6. will give domestic producers adequate time to adjust to new market conditions.

7. will keep marginal plants in business in an area where alternative employment is scarce.

8. will allow Forster's investment in downsizing an adequate time period to prove its worth.

9. will limit the price increase which domestic producers will be able to charge.

10. would have minimal inflationary impact.

11. create jobs at a low price.

12. would lessen the likelihood of market disrupting low cost imports.

CONS

1. Quota may give windfall profits to certain exporters.

2. Quota will increase the price of clothespins to domestic consumer.

3. Quota will benefit all domestic producers, regardless of their intentions to improve their facilities.

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4. Quota is most restrictive and could raise the capacity utilization rate above maximum level of operating efficiency.

5. Quota is cumbersome to administer.

6. Quota thwarts the operations of market forces.

7. Quota could have adverse impact on foreign relations.

8. Strong possibility of fraud occurring.

Option B - Proclaim the imposition of a five-year worldwide quota on wood and plastic clothespins (TSUS item 790.05) with a dutiable value not over $1.70 per gross in the amount of 2.0 million gross with price breaks as follows:

Category	Yearly quota allocation
Valued not over 80 cents per gross	500,000 gross
Valued over 80 cents per gross but not over $1,35 per gross	600,000 gross
Valued over $1.35 per gross but not over $1.70 per gross	900,000 gross
Total	2,000,000 gross

This quota would be increased by 100,000 gross annually in the third price bracket for the last two years.

PROS This quota:

1. would have all of the advantages of Option A but:

a. be less restrictive
b. less discriminatory against low cost, low quality producers
c. significantly less costly, one-third of the price of Option A.

CONS

1. Because it is slightly less restrictive, it may not be as effective in expanding domestic capacity utilization and in creating jobs.

2. Slight possibility of a Congressional override.

<u>Option C</u> - Proclaim a tariff increase to existing MFN and column 2 rates of duty.

<u>PROS</u> This tariff increase:

1. would be less disruptive of market forces.

2. would be much easier to enforce.

3. could be constructed to impact more heavily on cheaper clothespins.

<u>CONS</u>

1. Because of possibility of absorption of duty by exporter or importer, there would be less chance that import prices will increase by amount necessary to render domestic production competitive.

2. Will not place as effective overall restraints on numbers of clothespins imported.

3. Could have more serious foreign policy implications since the column 2 rate would have to be increased.

4. Could not be constructed to have same impact of quota.

5. Would provide small possibility of Congressional override.

<u>Option D</u> - Provide no relief.

<u>PROS</u>

1. Would force U.S. clothespin industry to rationalize to changing competitive pressures.

2. Would hold down price of clothespins and cost the consumer less.

3. Would have no disruptive international impact.

CONS

1. Would result in higher social costs than would result from the marginal expenditure for import relief.

2. Could lead to the closure of at least one firm in an area which has little alternative employment possibilities.

3. Would be subject to Congressional override.

THE WHITE HOUSE
WASHINGTON

2/8/79

Frank Moore
Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Phil Wise

THE WHITE HOUSE
WASHINGTON

Mr. President:

This request just came in.

Phil

THE WHITE HOUSE

WASHINGTON

Only if Cy approves

J

February 6, 1979

MEMORANDUM TO: PHIL WISE

FROM: FRANK MOORE F.M.
ZBIGNIEW BRZEZINSKI ZB

This is to request that Senator Lloyd Bentsen and Congressman Jim Wright accompany the President on his trip to Mexico this month.

Background

Senator Bentsen and Congressman Wright alternate as Chairman of the Interparliamentary Conference which is comprised of various members of both Houses of the United States and Mexican Congresses.

When the Conference meets in the United States, Bentsen is the Chairman and when it meets in Mexico, Wright is the Chairman. This year the meeting is in Mexico in the fall. Since the U. S. members have not gotten together this year, Bentsen is still technically the Chairman.

Bentsen and Wright are both very anxious to accompany the President on his upcoming trip to Mexico.

✓ approve ________ disapprove

J

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THE WHITE HOUSE
WASHINGTON

2/8/79

Tim Kraft
Arnie Miller

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

TVA

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION	FYI	
		VICE PRESIDENT
		JORDAN
		EIZENSTAT
✓		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
		HUTCHESON
		KAHN
		LINDER
		MARTIN
✓		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

C

THE WHITE HOUSE

WASHINGTON

February 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Tennessee Valley Authority

The final vacancy on the Tennessee Valley Authority Board of Directors is the remainder of the term of Bill Jenkins which is to expire on May 18, 1981.

As you requested, we have consulted Frank Moore and Hamilton. We all concur that you should nominate Bob Clement of Nashville, Tennessee.

Clement has served a six year term on the Tennessee Public Service Commission representing east Tennessee. He has served as Chairman of the Commission since January 1976. Clement has strong support from Senator James Sasser and is well known throughout the Valley.

Frank Moore has completed the appropriate Congressional consultation.

RECOMMENDATION:

Nominate Bob Clement to the Tennessee Valley Authority Board of Directors.

✓ approve _____ disapprove

J

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TENNESSEE PUBLIC SERVICE COMMISSION
CORDELL HULL BUILDING
NASHVILLE, TENNESSEE 37219

Tim
info
J

4 - UCU P.M.

BOB CLEMENT, CHAIRMAN
Z. D. ATKINS, COMMISSIONER
FRANK D. COCHRAN, COMMISSIONER

JAMES L. TALBOT, EXECUTIVE SECRETA
EUGENE W. WARD, GENERAL COUNS

BIOGRAPHICAL INFORMATION

ON

BOB CLEMENT

AGE:	35 Years Old
BORN:	September 23, 1943, the eldest son of Mrs. Lucille Christianson Clement and the late Governor Frank G. Clement
MARITAL STATUS:	Married
EDUCATION:	Graduated from Hillsboro High School in Nashville, 1962; Received Bachelor of Science Degree in Real Estate and Finance from the University of Tennessee, Knoxville, 1967; Received Masters Degree in Business Administration from Memphis State University in Memphis, Tennessee in 1968
EMPLOYMENT:	Presently serving six-year term on Tennessee Public Service Commission representing East Tennessee. Elected by other two commissioners to two-year term as Chairman in January 1976. Previously employed with a brokerage insurance firm, Blair, Follin, Allen and Walker in Nashville and Knoxville as an insurance agent; Bureau of Business Research in Memphis which included gathering statistical data on business in Tennessee; Municipal Consultant for the University of Tennessee Center for Government Training, having responsibility for training programs utilized by officials and employees of municipalities in East Tennessee.
PROFESSIONAL ASSOCIATIONS:	Chairman, National Association of Regulatory Commissioners' Presidential Advisory Committee Member, NARUC Communications Committee Third Vice President, Southeast Association of Regulatory Commissioners

MILITARY SERVICE:	Served two (2) years in the U. S. Army and was discharged as 1st Lieutenant, Presently a Captain in the Army National Guard
RELIGIOUS AFFILIATION:	United Pentecostal Church
SERVICE ORGANIZATIONS:	Charter Member, Capitol Hill Jaycees
	Member American Legion Past Third Vice Commander Post 88
	Served as Past President Tusculum Lion's Club
	Former Advisor for Junior Achievement Company

THE WHITE HOUSE
WASHINGTON
2/8/79

Tim Kraft
Arnie Miller

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

C

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Interstate Commerce Commission

When you met with Dan O'Neal last week to discuss ICC appointments, we discussed three options.

1. Appoint four members now (Gaskins, Alexis, Trantum and Gray)

2. Appoint two members now (Gaskins and Alexis), and two later (Trantum and Gray, the Teamsters candidate)

3. Appoint only two members

Advantages and disadvantages of each option are discussed below:

1. Appoint four members now --

<u>Advantages</u>

A. The combination of Gaskins, Trantum, Alexis and Gray assures you of a reliable majority vote on the tougher issues;

B. You will send a clear signal to the Congress and various interest groups that deregulation is a high priority;

C. Gives Dan O'Neal support to move more expeditiously than he might otherwise be inclined to do.

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Disadvantages

A. Dan O'Neal has pointed out that a nine-member Commission is less efficient;

B. O'Neal feels that as the size of the Commission expands, each member becomes less accountable for his or her actions.

2. Appoint two members now and two later - in approximately 60 days --

Advantage

A. This might prevent the Senate from selecting two of your nominees and only confirming them.

Disadvantages

A. This approach would send mixed signals. If initially you appoint Gray and one other person, it would appear that you have changed your mind on the policy questions. Later, when you send up the second two, it would look like you did not have full confidence in your earlier candidates;

B. You could not have your majority on board until July at the earliest. The security investigation, conflict of interest check, and confirmation process take at least three months. You would not be able to start the clearance process on the third and fourth members until the Senate had confirmed the first two. This may be too long a wait;

C. Senator Cannon (Chairman of the full Committee) and Senator Long (Chairman of the Surface Transportation Subcommittee) theoretically prefer seven members (Long a little more strongly than Cannon); however, neither would strongly object to nine to the extent that they would refuse to confirm two of your nominees. Cannon has already agreed to nine members. He is as anxious as you to get new members on board, and wants to be viewed as a major contributor to trucking deregulation. He wants to act quickly on the nominees and tells us that repeatedly.

3. Appoint only two members --

<u>Advantage</u>

A. This option allows for a Commission which will operate more efficiently.

<u>Disadvantage</u>

A. If Gray is one of the two nominees, then this option will effectively prevent administrative deregulation.

While everyone agrees that there are some good arguments for a smaller Commission, Stu, Frank Moore, Dr. Kahn, Charlie Schultze, Bob Strauss and Secretary Brock Adams have concluded that appointing four members now is really the only way to accomplish your objective of expeditiously and systematically deregulating surface transportation, while accommodating the need to appoint a candidate from the Teamsters' list.

RECOMMENDATION

They therefore join us in recommending that you nominate Darius W. Gaskins, Jr., Marcus Alexis, Thomas A. Trantum, and James E. Gray to be members of the Interstate Commerce Commission.

___✓___ approve ________ disapprove

J

OTHER OPTIONS

________ Nominate Gaskins and Alexis now, and two later.

________ Nominate only two members.

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Marcus Alexis, of Illinois, is one of the most outstanding black economists in the country. He is Chairman of the Economics Department at Northwestern University in Chicago. He has been a professor of economics for over 30 years and taught at the University of Rochester, University of Minnesota, and De Paul University. He has written extensively both on topics in business economics and on economic issues of special concern to the black community. He does support deregulation of the transportation industry. The black community has expressed a high level of interest in the ICC appointments and he would be the first black Commissioner in the 92 year history of the ICC.

Darius W. Gaskins, Jr., of Washington, D.C., Deputy Assistant Secretary for Policy at the Department of Energy, is an economist with considerable experience in regulation. Dr. Kahn hired him to be Director of the Office of Economic Analysis at the CAB. His office reviewed the work of the other Bureaus. He is credited by his CAB colleagues for knowing just how far and how fast to move the CAB. Fred Kahn has enormous respect for him, not merely as a professional economist, but as a person of outstanding stature and judgment. He also believes that Gaskins would be an excellent Chairman after Dan O'Neal leaves in December. Gaskins was Director of Economics at the Federal Trade Commission and an Assistant Professor of Economics at the University of California at Berkeley. He possesses an instinct for persuading his colleagues, and will have a positive influence on some of the current ICC Commissioners who are uncertain of the economic implications of their decisions.

James E. Gray, of Kentucky, is currently Secretary of the Executive Cabinet for Governor Julian Carroll. He also served as Secretary of the Public Protection and Regulation Cabinet. He served for one year as Secretary of Transportation for then-Governor Ford. For 19 years, he has owned a large office supply store and experienced first-hand the problems of shippers. He supports streamlining administrative procedures that have caused such delays at the ICC. Philosophically, he supports deregulation. His first-hand experience is limited, so it is difficult to know just how much we can depend on him. Gray is also supported by Senators Ford and Huddleston, Congressman Perkins, and Governor Carroll.

Thomas A. "Tad" Trantum, of New York, is a financial analyst for L. F. Rothschild, Unlerberg, Towbin, a New York-based securities firm. For the last seven years he specialized in securities in the transportation industry, with particular emphasis in motor carriers, airlines, and railroads. More than any other candidate, he is extraordinarily knowledgeable about the intricate details of the trucking industry. During the last year he has worked on the economic consequences of airline deregulation and the effects of greater airline competition on surface transportation. He has testified before Senator Cannon's Committee in favor of deregulating the airline industry. He can be counted on to consistently and articulately represent your views before the ICC. Perhaps more than any of the new members, he has a non-threatening but persuasive manner. He is a registered Republican. While there is no requirement for a Republican for this vacancy, his presence could help us develop broader bi-partisan support for the policies.

MARCUS ALEXIS
New York, New York

EXPERIENCE

1975 - Present	Chairman, Economics Department, Northwestern University
1970 - 1975	Professor, Economics Department, Northwestern University
1969 - 1971	Visiting Professor, University of California
1969	Visiting Professor, Swathmore College
1968 - 1970	Professor, University of Rochester
1962 - 1968	Associate Professor, University of Rochester
1962	Visiting Associate Professor, University of Minnesota
1960 - 1962	Associate Professor, DePaul University
1957 - 1960	Assistant Professor, Macalester College
1954 - 1957	Instructor, University of Minnesota

EDUCATION

1961 - 1962	Post-Doctoral Work, Harvard University and M.I.T.
1959	Ph.D., University of Minnesota
1954	M.A., Michigan State University
1953	B.A., Brooklyn College

ACTIVITIES AND AWARDS

President, Urban League of Rochester, Board of Directors, 1966-1969
National Board, Operation PUSH, 1972-1973
Executive Committee, Consortium for Graduate Study in Business for Negroes, 1968-1970
Member, American Marketing Association
Chairman, Steering Committee, Project on "Improving the Research Capability and Professional Status of Black Economists," Ford Foundation funded project, through UCLA, 1969-1972

PERSONAL

Black Male
Age 46
Democrat

DARIUS W. GASKINS, JR.
Washington, D.C.

EXPERIENCE

1978 - Present	Deputy Assistant Secretary, Policy Analysis, Department of Energy
1977 - 1978	Director, Office of Economic Analysis, Civil Aeronautics Board
1976 - 1977	Director, Bureau of Economics, Federal Trade Commission
1975 - 1976	Assistant Professor, Department of Economics, University of California, Berkeley, and Economic Advisor to the House of Representatives Ad Hoc Select Committee on the Outer Continental Shelf
1975	Director, Office of Outer Continental Shelf, Program Coordinator
1974	Acting Director, Office of Minerals Policy Development, Department of the Interior
1973 - 1974	Assistant Director, Economics, Office of Policy Analysis, Department of the Interior
1970 - 1973	Assistant Professor, Department of Economics, University of California, Berkeley
1963 - 1967	Captain USAF, Instructor, Aerospace Research Pilots School

EDUCATION

1970	Ph.D., University of Michigan, Economics
1963	M.S.E., University of Michigan, Instrumentation Engineering
1963	M.S.E., University of Michigan, Astronautical Engineering
1961	B.S., United States Military Academy, Distinguished Graduate

PERSONAL

White Male
Age 49
Democrat

JAMES E. GRAY
Frankfort, Kentucky

EXPERIENCE

1977 - Present	Secretary, Governor's Executive Cabinet, State of Kentucky
1976	Secretary, Public Protection and Regulation Cabinet, State of Kentucky
1974 - 1975	Co-Chairman, Ford for U.S. Senate Campaign Co-Chairman, Carroll for Governor Campaign
1973 - 1974	Commissioner of Highways and Secretary of Transportation, State of Kentucky
1954 - 1973	Treasurer and Stockholder, Cardinal Office Supply Company, Frankfort, Kentucky
1952 - 1954	U.S. Army Infantry, 1st Lieutenant

EDUCATION

1952	University of Kentucky, B.S.

PERSONAL

White Male
Age 51
Democrat

THOMAS A. TRANTUM
Ridgefield, Connecticut

EXPERIENCE

1978 - Present	Financial Analyst, L. F. Rothschild, Unterberg, Towbin
1971 - 1978	Financial Analyst, Wainwright Securities, Inc.
1968 - 1971	Graduate, Artillery Officer Candidate School (OCS), First Lieutenant, Registrar, U.S. Army Field Artillery School

EDUCATION

1966 - 1968	MBA, New York University Graduate School of Business
1962 - 1966	B.A., The College of Wooster, Economics

ACTIVITIES AND AWARDS

National recognition as member of Institutional Investor All-Star Research Team

Testified before U.S. Senate as an expert in support of airline deregulatory reform

President, Motor Carrier Analyst Group

Chartered Financial Analyst (CFA)

PERSONAL

White Male
Age 34
Republican

February 5, 1979

Status of Relations --
Achievements in the
Last Two Years

1.

Q: On the eve of your visit to Mexico, how do you view the status of relations between our two countries? Do you agree with those in Mexico who say that relations between both countries are at a low point?

A: No. The relationship between our two countries is extremely complex. The U.S. and Mexico relate to each other on more levels -- state, local and federal (a dozen departments) and on more issues than with any other country, in large part because of our 1900 mile border. Differences are inevitable, but we share with our neighbors a view that problems are also opportunities for cooperation.

This attitude has permitted us to surmount temporary differences and accomplish more in the last two years than in a long time. For example, the establishment of a Consultative Mechanism has been helpful in our successful negotiations of a Civil Aviation Agreement; a Tourism Agreement; treaties on exchanging prisoners, on maritime boundaries, fisheries, extradition, and trade in tropical products. Cooperation has been significantly enhanced in the areas of narcotics control, agricultural research, smuggling, science and technology, and on border questions.

I think there may be a tendency by some to give undue stress to the differences in our relationship. But the achievements of the last two years point to a real cooperative spirit between our two peoples: I look forward to my conversations with President Lopez Portillo as an opportunity to renew our dialogue and seek ways to improve our relationship.

* The following 2 pages are just back-up material for this question.

February 5, 1979

Achievements in U.S. - Mexican Relations, 1977-79

Let me describe some of the achievements attained by our two countries in the last two years:

Consultations: In my first meeting with President Lopez Portillo, we agreed to establish a special Consultative Mechanism whereby issues would be surfaced and addressed at a high-level of government. My Secretaries of State, Treasury, Justice, Agriculture, and Labor have travelled to Mexico within the context of this mechanism, and we have received visits by cabinet officials -- including the Secretary of National Defense -- from Mexico. I should add that my wife met with Mrs. Lopez Portillo for talks on cultural cooperation at the border, and Vice President Mondale held talks with President Lopez Portillo last year.

Agreements. These talks have led to the following agreements:

1. The Civil Aviation Agreement was signed during Mondale's visit. It represents the largest expansion of air service between the U.S. and another country since the Second World War. This is supplemented by a Tourism Agreement which will facilitate investment in the tourist sector of Mexico.

2. Transfer of Sanctions (exchange of prisoners) Treaty has permitted 350 U.S. prisoners to be transferred to the U.S. and 137 Mexican prisoners to return to Mexico. This was implemented so well that it has served as a model for treaties with other countries, including Canada, Bolivia, Panama, and Turkey.

3. Treaties on Maritime Boundaries and International Fisheries defining the new maritime boundary between our countries and setting rules on fisheries.

4. A new Extradition Treaty replaced and modernized an 1899 convention.

5. A Tropical Products Agreement represented the first agreement negotiated between an industralized and a developing country within the context of the current Multilateral Trade Negotiations.

6. The renewal of an agreement between the Bank of Mexico and the Treasury Department's Exchange Stabilization Fund to provide $300 million to help stabilize the exchange rate between our currencies.

7. A joint U.S. - Mexican Agreement on Cultural Cooperation, including joint programs in the arts and the humanities.

8. The Environmental Protection Agency and HUD have both reached agreements with their counterparts in Mexico on cooperation on environmental problems and on urban development.

Cooperation. In addition to these specific agreements, our two governments have increased our cooperation in a number of important areas with tremendous results. For example,

-- In Narcotics Control, the number of opium poppy fields located and sprayed has decreased by 50% this year, and detectable surface area devoted to poppy production has decreased by 80%.

-- On immigration, scholars from Mexico and the U.S. are doing joint research on long-term "push" factors of migration.

-- Increased cooperation between our two Attorneys General has led to reduction in smuggling and easier return of stolen property.

-- On agricultural research, our two governments are working hard to eliminate pests like the screwworm and the Mediterranean fruit fly which plague researchers on both sides of the border.

-- On science and technology, numerous agencies in both governments are working to enhance the scientific and technological capabilities of both countries.

-- Finally, the International Boundary and Water Commission has continued its work on a hallmark of U.S. - Mexican cooperation in areas like flood control, hydroelectric power and sanitation.

Q: With developments in the fields of energy and trade and undocumented workers, it seems that the present relationship between our two countries may change dramatically in the coming years. How do you see the long-term development of ties between Mexico and the United States?

A: The U.S. and Mexico are undergoing rapid and important changes, and the challenge for our two countries is to gain a greater appreciation of these changes and to adjust our relationship to take these into account. I am confident that our two dynamic and creative societies will develop a new relationship which is more balanced and equal and is characterized by mutual respect.

-- The United States and Mexico are each undergoing important changes -- demographic, social, political and economic. Often thought of by many Americans as a small country, Mexico has become a large, potentially wealthy nation with a population greater than any country in Western Europe. Mexico is emerging as an important industrial nation and the already large volume of our bilateral trade is likely to swell rapidly in the coming years.

-- Americans of Mexican ancestry are one of our fastest growing ethnic groups. And along our border we are experiencing a true co-mingling of people, cultures and economics.

-- These changes bring with them new interests, new issues, and new opportunities. I hope that our two countries will create a framework which will resolve differences and provide fresh responses, which will preserve our good cultural heritages and permit more trade and investment in both countries for the benefit of all.

Q: Turning to the most important current issues, please describe what you hope to accomplish in Mexico on the question of oil and gas. Do you expect to come to some agreement on the issue?

A; The development of Mexico's natural resources is completely a matter for your Government to decide. I believe that Mexico is in the best position to determine what level of oil and gas it should produce to meet its development objectives. The U.S. is prepared to be of help. We fully respect your sovereignty in this and in all matters.

We look upon Mexico as a very valuable present and future source of needed energy supplies for our country. We want to negotiate with Mexico in good faith and avail ourselves of its very valuable source of oil and natural gas in the future. That will be done by official and private negotiations. I understand that when President Lopez Portillo was asked whether the two of us would negotiate a gas agreement, he said: "We are statesmen, not merchants." I like that. I look forward to discussions with your President on a range of issues related to future cooperation between our two countries on energy.

Q: What do you see as the major issues in the U.S.-Mexican trade relationship? Is the U.S. prepared to lower tariffs or provide preferential treatment to Mexican products to help Mexico solve some of its economic problems?

A: The major issues in our trading relationship concern ways to increase trade. Both our countries are currently negotiating the reduction of tariff and non-tariff barriers in the Multilateral Trade Negotiations in Geneva, and we view those negotiations as the most important vehicle for improving the trade between our countries and resolving any future problems. I welcome and support your President's recent decision to begin negotiations for accession to the GATT.

-- Mexico is our largest trading partner in Latin America and our fifth largest in the world. Last year, the value of our two-way trade was nearly $10 billion, divided just about evenly. I hope that our trade will expand significantly.

-- The relationship between trade and development is an important one, and since we believe that Mexico's economic development is important to the U.S., we are naturally interested in increasing trade between our countries.

-- Regarding preferential treatment, Mexico is the largest Latin American beneficiary of our tariff preference system (GSP). The value of Mexico's products entering duty-free under GSP increased from $245 million in 1976, to about $450 million in 1978. In addition, another U.S. law facilitates exports from Mexico's border industry -- the "maquiladora" program. No other major industrialized country has such a program. So we do recognize the special importance of Mexico's trade to the U.S.

-- As a GATT member, Mexico would not only increase its voice in the international trading system, it would also assume rights which will help promote Mexico's future development.

Q: Since the U.S. Congress did not act on your 1977 proposals regarding illegal immigration, what do you see as the next step in facing this problem? What are some concrete actions that both governments could take to halt the flow of undocumented workers from Mexico to the U.S.?

A: Since Congress did not act on the legislative proposals that I submitted in 1977, those proposals expired with the end of the last Congress. Before deciding whether to resubmit those proposals to the new Congress and whether they should be modified, I hope to seek the views of President Lopez Portillo. I have an open mind about it.

-- We recognize the contribution made by many Mexican immigrants who come into our country, either temporarily or permanently. But we want to make their entry and departure take place under conditions that are legal, orderly, humane, and consistent with our interests.

-- One way in which both countries should continue to cooperate is in arresting those on both sides of the border who traffic in human misery, the professional smugglers of migrants who exploit the poor and the defenseless in violation of the laws of both countries.

Q: Are you satisfied with U.S. and Mexican efforts to halt the traffic of illegal drugs into the United States?

A. Yes, I am very satisfied with our cooperative efforts in the area of narcotic control. The Mexican Government under President Lopez Portillo is making a genuine, effective effort to eradicate opium and marijuana and to break up narcotics trafficking networks. While precise statistics on heroin smuggling to the United States from Mexico are not available, we do know with certainty that Mexico is providing a declining percentage of the diminishing amount of heroin reaching U.S. consumers. Mexico's efforts are largely responsible for the fact that U.S. heroin overdose deaths declined 78 percent between 1976 and the third quarter of 1978.

Our cooperation has been superb. I hope we will continue our work in this important area.

7.

Q: Every U.S. President since FDR has met with his Mexican counterpart and hailed the visit as a breakthrough for both countries. But after the speeches are over, very little really happens. Is your visit merely ceremonial, or can you promise follow-up actions?

A. I certainly do not intend my visit to be merely ceremonial and I feel safe in saying that I don't think President Lopez Portillo has that intention either. Looking back over the different meetings between the Presidents of Mexico and the United States, I believe that a great many positive things have resulted that have solved irritating problems and helped to build the solid foundation for the relationship that our countries now enjoy. Often the value of these meetings cannot be measured solely in the treaties signed or declarations made. The process of careful consultation, of clarification of conflicting viewpoints, is often quiet and undramatic, but is no less essential to a solid, productive relationship.

I believe that there were significant results from President Lopez Portillo's visit to Washington in February, 1977. My visit, like his, will be a working visit, involving careful preparations, thorough discussions of a detailed agenda, and extensive follow-up.

Q. Would you describe what you see as accomplishments of your Administration in Latin America? Do you feel any practical results have been achieved in Latin America through your human rights policy?

A. I believe a number of accomplishments can be cited:

-- The successful negotiation and ratification of the Panama Canal Treaties stand out, I believe, as major accomplishments. Not only have they removed an irritant in US-Latin American relations but they signal my country's desire to establish a new relationship with the nations of the Hemisphere -- a relationship based on respect and cooperation. The Treaties serve to provide an example to other nations -- big and small, strong and weak -- that differences can be resolved in mutually satisfactory ways.

-- I consider our cooperation to achieve shared international objectives, such as arms restraint and nuclear non-proliferation -- efforts in which Mexico has played a vital leadership role -- to be important accomplishments.

-- Finally, I would cite the creation of the Caribbean Group for Economic Development as a real achievement to which I have pledged U.S. support. It represents an effort on the part of donors and recipients to identify and coordinate development efforts in ways which respond to the needs of individual nations in a responsible and rational manner.

-- And there has been progress in the observance of human rights. Neither I nor my Administration can claim credit for the successes, but I do believe we have made a contribution. States of siege have been lifted, press freedom has been expanded, hundreds of prisoners have been released and governments have published lists of political prisoners being held.

-- The process of democratization is moving forward. In the Dominican Republic, an opposition Presidential candidate was elected and took office; in Peru, Ecuador and Bolivia -- despite setbacks -- the move to restore elected, constitutional governments is continuing. We have also witnessed some practical results in the OAS forum. The Inter-American Human Rights Commission has made several useful visits to various states.

While much remains to be done, I believe that we have together made great strides these past two years.

9.

Q: As you know Mexican-Americans are one of the fastest growing segments of the U.S. population. What are your views of their progress as a group?

A. Mexican-Americans have made an important contribution to our culture and our economic well-being. While their upward progress in American society has been remarkable, as a group they are still under-represented in the public service in some areas, in elective offices. My administration is deeply committed to opening up additional opportunities in government for Hispanic Americans and to combatting vigorously any practices that deny them their rightful place in our society. There are, of course, cases of mistreatment or discrimination against them. We deplore it and my administration is committed to using wherever possible the full weight of federal civil rights legislation to act against abuses and punish those who perpetrate them.

10.

Q: How is your Spanish language study progressing?

A. I continue to study Spanish and get a great deal of satisfaction out of speaking it--though I sometimes wonder if those who are listening to me get the same satisfaction. One of the many benefits of my forthcoming trip to Mexico will be the opportunity for me to speak Spanish and to hear it spoken well.

11.

Q: Would you comment on the value of Spanish language broadcasting?

A. Well, as you know, it's an important communications force in this country where we have some 20 million Spanish-speaking persons. There are more than 450 radio and TV stations in the United States that have at least some Spanish-language programming. Many of these stations use programs that originate in Mexico. In addition, we have an important number of Spanish language stations in Mexico itself which a lot of our people listen to, particularly in the southwest. It helps bring our two cultures closer together and adds to the richness and variety of our diverse culture.

12.

Q: Would you say a few words to the Mexican people in Spanish?

A. Yo extiendo mis saludos mas cordiales al Presidente Lopez Portillo y al noble pueblo mexicano.